MT

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State visit to the UK

by President Lopez Portillo
+ Subsequent Presidents
of Mexico.

MEXICO

MAY 1979

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24/VII

From: APS/Mr Garel-Jones
Date: 23 July 1992

cc: Sir John Coles
Mr Beamish
Mr Murray, LAD

He must have read the Chinese proverb: "If you have ak all, have law".

Private Secretary

PRIME MINISTER'S TALKS WITH PRESIDENT SALINAS OF MEXICO, 20 JULY

1. Mr Garel-Jones has seen Stephen Wall's record of 20 July on the above. The Mexican Foreign Minister told Mr Garel-Jones, with an enthusiasm that went beyond the usual courtesies, that President Salinas had been "bowled over" by the Prime Minister, whom he regarded as a substantial and major asset to the international political scene. I should be grateful if you could feed this back to No 10.

Alison Pring
Assistant Private Secretary to
Tristan Garel-Jones

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SUBJECT MASTER 12

Filed on:

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

20 July 1992

Dear Stephen.

PRIME MINISTER'S TALKS WITH PRESIDENT SALINAS OF MEXICO, 20 JULY

Thank you for the briefing for this afternoon's talk between the Prime Minister and President Salinas of Mexico. The President was accompanied by his Foreign Minister and Finance Minister. Our Ambassador to Mexico was also present.

The Prime Minister congratulated the President on Mexico's astonishing success. The President said that his priority had been to lower inflation which should this year be down from 200 per cent to 10 per cent. It had been very difficult to get from 200 to 20, 20 to 10 was proving even harder. Mexico was pursuing a very tight fiscal policy and would have a budget surplus this year, not taking account of privatisation funds. Last week Mexico had privatised the last bank. They had already privatised the telephone, steel and airline industries. This had stimulated foreign investment, now worth $22 billion compared with zero five years' ago. The car industry was the main investment area and Mexico was now exporting cars to the USA and Japan. Mexican investors tended to put their money into the banking, steel, cement and glass industries which were highly modernised.

President Salinas was confident that the North American Free Trade Agreement (NAFTA) would increase the flow of investment. The markets were confident the Agreement would be fulfilled and money was coming in even before signature. The President was aware of firm investment plans. He was also pleased to note that investment from the UK, which had stopped in 1989, had started again. The President did not think that the US election would be an impediment to NAFTA. Indeed President Bush had stated the converse. The Prime Minister asked whether the NAFTA agreement would be compatible with GATT. The President said it would be under Article 24 of GATT. President Bush had commented that if the Uruguay Round was not completed this year, then NAFTA at least would be.

GATT

The Prime Minister said it was unforgivable that we had not got a GATT agreement already. There was no point in having large aid programmes if we then blocked market access for developing countries. A GATT agreement would boost world trade and there was no economic or political logic in delay. The Prime Minister had made this point crisply to those standing in the way of an agreement.

At the President's request, the Prime Minister set out the main obstacles to a GATT agreement. The differences over export subsidies and internal supports were the main outstanding problem. There was a Japanese problem over rice which would not be overcome until after the Japanese elections next week. He also thought the problems over bananas could be resolved. There was no doubt that President Bush wanted an agreement before the elections. If an agreement was at all possible we should go for it. The G7 had all pledged their support several times. The problem was that "all" was a rather variable description.

Oil

The Prime Minister asked about the Mexican oil industry and the break-up of PEMEX. The President said that oil had been an issue in the NAFTA negotiations though oil was not formally part of them. The oil industry would remain under state control but there would be opportunities in non-risk contracts i.e. in service contracts and in petrochemicals. The nationalised oil company was being restructured. The Mexican government had been conservative. They had incurred a hundred million dollars of debt through over-estimating the oil price in the past. This year they had worked on a calculation of $14 a barrel, so things were going well. The price had already gone up $3 as a result of the Saudi reaction to the idea of a Community carbon tax. Mexico was not a member of OPEC and did not have the strength to influence the price herself. Mexico had large oil reserves (65,000 million barrels which was 50 years supply - and growing). Mexico had gone in for an aggressive domestic pricing policy. Oil in Mexico was now more expensive in the US. This had had the merit of drastically reducing consumption. The President also described the electricity and gas industries as areas of huge investment. The Prime Minister said this was an area where we had a lot of expertise and would be willing to collaborate. The President said that BP and their technology were very welcome. The Prime Minister said that BP, whose new Chairman he had met last week, was as good technically as any company in the world.

Maastricht Treaty

President Salinas asked about the Maastricht Treaty. The Prime Minister said we were awaiting the French referendum. We then had to help the Danes. There was a danger that Denmark would slip into the second rank of Community countries or even find herself being eased out of the Community altogether. We could not change the Maastricht Treaty though we might add to it in the form of helpful declarations etc. President Salinas asked if the Community could go ahead on the basis of fewer than 12 Member States. The Prime Minister said that, legally, Maastricht could only be ratified by all 12 Member States. Some Member States were attracted by the idea of going ahead as less than 12 but it would not run. It was not a practical proposition. If Maastricht were not ratified, we would go back to where we had been before. But the Prime Minister was still hopeful we would get it through. The Treaty was not very popular with the British public either. There were in Britain, as in Denmark, worries about the centralist tendency in the Community

and about sovereignty. Heads of Government might be going faster than public opinion. But the Maastricht Treaty was a move in the right direction and we should build on that. There was no way the Danes could be compelled to reverse their decision. The danger was that a second Danish no would encourage a no from Sweden as well.

President Salinas asked whether there was already a genuine free trade area in Europe. The Prime Minister said that there was and we were trying to perfect it through the single market which was due to be completed by the end of this year. Britain was the most liberal free trading country in the Community and we were keen to open up borders to trade. The French were more protectionist. The President said he hoped the single market would come about.

Interest rates

The President said that it seemed to him that European cooperation stopped at the Bundesbank. He had understood that the G7, at their summit in Munich, had agreed not to increase interest rates. The Prime Minister said this was not in fact the case. He described the workings of the ERM and the role of the Deutschmark as the benchmark currency. The President said that Mexico was concerned because the United States were using interest rates as their one fiscal mechanism. He and the Prime Minister agreed that a German upward move on interest rates would be bad for recovery. The sooner the Americans closed their fiscal deficit by expenditure reductions, the better. President Salinas remarked that the Americans were looking for an export-led recovery. The Prime Minister said that that would probably mean a slow-down in imports which would be bad news for us.

The President said that Latin America had done well under President Bush. Before Bush it had been many years since the USA had had a coherent policy towards Latin America. Of course he was not taking sides in the election but he had been very happy with President Bush. The Prime Minister said there had been a sea change in Latin America, with democracies becoming secure and with sound financial policies being introduced. The President said that a social net was needed to support democracy; the ordinary business of party politics was not very attractive to the electorate. He was very glad that Britain was showing a renewed interest in the region. The Prime Minister confirmed that this was indeed the policy. We were correcting the neglect of the past.

Drugs

The Prime Minister asked to what extent Latin America was getting on top of the drugs problem. President Salinas said that, on the contrary, the problem was getting on top of Latin America. Mexico was stepping up its war on drugs and looking for global cooperation but there was no sign of price increases in the street value of drugs, so that must mean that drugs were still getting on to the market in large quantities. Mexico had good cooperation with the United States and Colombia but the problem was a cancer which corrupted society and he was very

worried about it. Programmes to reduce production had been very lax. Drug production played an important part in the economy of Latin American countries so these countries needed genuine alternative markets. The US market for drugs was growing so new producers were attracted in. This required more cooperation. Mexico had jailed more than 20,000 people in the last two years. More money needed to be devoted to the problem. Money laundering was a big problem which should be one of the principal targets. The Prime Minister said we had put proposals to the Mexican government for cooperation and were waiting for a reply. The President responded that he thought that he was waiting for a response from us to his proposals. The Prime Minister said that either way the net result was disastrous so we should help each other. We would look at Mexico's proposals.

The Mexican Ambassador said that he had had extensive discussions with Scotland Yard on the problem of money laundering. That should perhaps be the way forward. The Prime Minister agreed.

UK investment

President Salinas said he would welcome the Prime Minister's support for more British investment in Mexico. UK businessmen were looking eagerly and they would be welcome. The Prime Minister said that Mexico was a very attractive market and he would like to see more investment there.

President Salinas issued a warm invitation to the Prime Minister to visit Mexico. The Prime Minister said he would like to do so very much but he could not say when it might be.

Follow up

The Prime Minister would be interested in any feed-back we get from the Mexicans. President Salinas seemed, particularly by the end of the evening, genuinely delighted with his reception. I enclose a copy of his speech to which he added at the end some impromptu warm words of thanks to the Prime Minister.

I am copying this letter to Jeremy Heywood (HM Treasury), Peter Smith (Department of Trade and Industry) and Sonia Phippard (Cabinet Office).

Yours,

Stephen

(J. S. WALL)

Stephen Smith, Esq.,
Foreign and Commonwealth Office.

Foreign &
Commonwealth
Office

London SW1A 2AH

cc KB
Bkup

20 July 1992

Dear Stephen.

Visit by President Salinas of Mexico

I enclose as requested:

- An additional opening paragraph for the Prime Minister's speech at dinner;
- a background note on Mexican history;
- a copy of our Abmassador's despatch on President Salinas' inheritance and prospects.

If still possible, the Ambassador would prefer to see deleted the first sentence of the third tiret of the points to make: "would like ... reserves".

Yours ever,

Steven Smith.

(J S Smith)
Private Secretary

Stephen Wall Esq
10 Downing Street

OPENING REMARKS FOR PRIME MINISTER

A number of distinguished personalities have been our guests here. Delighted to welcome another one, President Salinas de Gortari. Delighted also that in this case he is a colleague with sporting interests: though my modest sporting exploits cannot bear comparison with an equestrian silver medallist at the 1971 Pan-American Games.

That youthful success was just the beginning.....

[lead into existing notes]

History Of the many Indian nations in the vast territory of Mexico, the two most important before the Conquest were the Aztecs of Tenochtitlán (now Mexico City) and the Mayas of Yucatán. The Aztecs, a militarist, theocratic culture, had obtained absolute control over the whole Valley of México and a loose control of some other regions. The Mayas (whose early history is given in the Central American chapter) were already in decline by the time the Spaniards arrived. The 34-year-old Cortés disembarked near the present Veracruz with about 500 men, some horses and cannon, on April 21, 1519. They marched into the interior; their passage was not contested; they arrived at Tenochtitlán in November and were admitted into the city as guests of the reigning monarch, Moctezuma. There they remained until June of the next year, when Pedro de Alvarado, in the absence of Cortés, murdered hundreds of Indians to quell his own fear of a rising. At this treacherous act the Indians did in fact rise, and it was only by good luck that the Spanish troops, with heavy losses, were able to fight their way out of the city on the Noche Triste (the Night of Sorrows) of June 30.

Next year Cortés came back with reinforcements and besieged the city. It fell on August 30, 1521, and was utterly razed. Cortés then turned to the conquest of the rest of the country. The main factor in his Mexican success was his alliance with the Tlaxcalans, old rivals of the Aztecs. The fight was ruthless. On the one hand, western military tradition and discipline, steel weapons and cavalry; on the other, Indians used to individual combat and trained not so much to kill the enemy as to capture him and offer him in sacrifice. Interminable religious wars and the subordination of their whole life to the propitiation of insatiable gods had already weakened the Aztecs before the arrival of the Spaniards. They were soon mastered.

There followed 300 years of Spanish rule and the making of a new country. For this task the Spaniards had three major qualities: they believed in their God, their culture and themselves. To serve the first they found was often happily coterminous with serving the second. In the early years all the main sources of gold and silver were discovered, and Indians hastily baptized and enlisted to work in the mines. Spanish grandees stepped into the shoes of dead Aztec lords and inherited their great estates and their wealth of savable souls with little disturbance, for Aztec and Spanish ways of holding land were not unlike: the *ejido* (or agrarian community holding lands in common), the *rancho*, or small private property worked by the owner; and that usually huge area which paid tribute to its master the Spanish *encomienda*—soon to be converted into the *hacienda*, with its absolute title to the land and its almost feudal way of life. Within the first 50 years all the Indians in the populous southern valleys of the plateau had been christianized and harnessed to Spanish wealth-getting from mine and soil. The more scattered and less profitable Indians of the north and south had to await the coming of the missionizing Jesuits in 1571, a year behind the Inquisition. Too often, alas, the crowded Jesuit missions proved as fruitful a source of smallpox or measles as of salvation, with the unhappy result that large numbers of Indians died; their deserted communal lands were promptly filched by some neighbouring *encomendero*: a thieving of public lands by private interests which continued for 400 years.

Churches, monasteries, schools were built in numbers. Within 13 years of the Conquest a printing press, the first in the New World, had been set up. Two years later the first college was opened for the education of the children of the conquered; these, as often as not, were also the children of the conqueror: miscegenation was very common. By the end of the 16th century the Spaniards had founded most of the towns which are still important, tapped great wealth in mining, stock raising and sugar-growing, and firmly imposed their way of life and belief. In the years up to independence in 1821, some 60 viceroys succeeded in maintaining the Spanish colonial pattern: government by a Spanish-born upper class based on the subordination of the Indian and *mestizo* populations; a strict dependence on Spain for all things, and a cool disregard for the interests of the locals. As in all the other Latin American states, Spain built up resistance to itself by excluding from govern-

ment both Spaniards born in Mexico and the small body of educated *mestizos*.

The standard of revolt was raised in 1810 by the curate of Dolores, Miguel Hidalgo. The Grito de Dolores: "Perish the Spaniards", collected 80,000 armed supporters, and had it not been for Hidalgo's loss of nerve and failure to engage the Spaniards, the capital might have been captured in the first month and a government created not differing much from the royal Spanish government. But eleven years of fighting created bitter differences. A loyalist general, Agustin de Iturbide, joined the rebels and proclaimed an independent Mexico in 1821. His Plan of Iguala proposed an independent monarchy with a ruler from the Spanish royal family, but on second thoughts Iturbide proclaimed himself Emperor in 1822: a fantasy which lasted one year. A federal republic was created on October 4, 1824, with General Guadalupe Victoria as President. Conservatives stood for a highly centralized government; Liberals favoured federated sovereign states. The tussle of interest expressed itself in endemic civil war. In 1836, Texas, whose cotton-growers and cattle-ranchers had been infuriated by the abolition of slavery in 1829, rebelled against the dictator, Santa Ana, and declared its independence. It was annexed by the United States in 1845. War broke out and US troops occupied Mexico City in 1847. Next year, under the terms of the treaty of Guadalupe Hidalgo, the US acquired all the land from Texas to California and from the Rio Grande to Oregon. In Mexico, broken by the war, the turbulent Santa Ana once more declared himself dictator in 1853, with the ironic title of Most Serene Highness. He was soon deposed.

A period of reform dominated by independent Mexico's great hero, the pure-blooded Zapotec Indian, Benito Juárez, began in 1857. The church, in league with the conservatives, hotly contested by civil war his liberal programme of popular education, freedom of the press and of speech, civil marriage and the separation of church and state. Juárez won, but the constant civil strife wrecked the economy, and Juárez was forced to suspend payment on the national debt. Promptly, Spain, France and Britain landed a joint force at Veracruz to protect their financial rights. The British and the Spanish soon withdrew, but the French force pushed inland and occupied Mexico City in 1863. Juárez took to guerrilla warfare against the invaders. The Archduke Maximilian of Austria became Emperor of Mexico with Napoleon III's help, but United States insistence and the gathering strength of Prussia led to the withdrawal of the French troops in 1867. Maximilian, betrayed and deserted, was captured by the Juaristas at Querétaro and shot on June 19. Juárez resumed control and died in July 1872. He was the first Mexican leader of any note who had died naturally since 1810.

The distinguished scholar who followed him was soon tricked, very easily, out of office by Porfirio Díaz, who ruled Mexico as a dictator from 1876 to 1910. But Díaz's paternal, though often ruthless, central authority did introduce a period of 35 years of peace. A superficial prosperity followed upon peace; a real civil service was created, finances put on a sound basis, banditry put down, industries started, railways built, international relations improved, and foreign capital protected. But the main mass of peasants had never been so wretched; their lands were stolen from them, their personal liberties curtailed, and many were sold into forced labour on tobacco and henequen plantations from which death was a release.

It was this open contradiction between dazzling prosperity and hideous distress which led to the upheaval of November, 1910 and to Porfirio Díaz's self-exile in Paris. A new leader, Francisco Madero, who came from a landowning family in Coahuila, championed a programme of both political and social reform, including the restoration of stolen lands. The reactionaries rose and Madero was brutally murdered, but the great new cry, *Tierra y Libertad* (Land and Liberty) was not to be silenced until the revolution was made safe by the election of Alvaro Obregón to the Presidency. Later, President Lázaro Cárdenas fulfilled some of the more important economic objectives of the revolution; it was his regime (1934-40) that brought about the division of the big estates into *ejidos* (or communal lands), irrigation, the raising of wages, the spread of education, the beginnings of industrialization, the nationalization of the oil wells and the railways. Later presidents nationalized electric power, most of the railways, the main airlines and parts of industry, but at the same time encouraged both Mexican and foreign (mainly US) entrepreneurs to develop the private sector. All presidents have pursued an independent and non-aligned foreign policy. One of the remarkable things about this transformation is that it has been able to express itself as successfully in terms of painting, poetry and architecture as it has in economic progress.

HER MAJESTY'S AMBASSADOR AT MEXICO CITY TO THE
SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS

MEXICO: PRESIDENT SALINAS' INHERITANCE AND PROSPECTS

SUMMARY

1. President Salinas will visit Britain 18 to 21 July: his inheritance, achievements and prospects (paras 1 and 2).

2. Praiseworthy Mexican development up to 1970, but substantial deterioration under Presidents Echeverría and López Portillo. President de la Madrid left to pick up pieces and lay foundations for present success (paras 3 and 4).

3. Salinas came to power amid claims of electoral fraud, but, with a first class economic team, has put the economy back on rails. He has also tackled difficult areas, including corruption, drugs, human rights, land reform and Church/State relations (paras 5 to 7).

4. The top external priority is the conclusion of the North American Free Trade agreement (NAFTA), but links also being enhanced with Pacific Basin, European Community and rest of Latin America. Salinas has high international standing (paras 8 and 9).

5. The problems include the large current account deficit and widespread poverty throughout the country. Progress towards greater political democracy remains slow (paras 10 and 11).

6. For the future the economy, the social situation and education will remain high priorities. NAFTA will bring profound changes. The way ahead is less clear on political front. Gubernatorial elections this year will be interesting, but the real test will be Presidential election in 1994. There is already jockeying for position among potential candidates (paras 12 to 16).

7. UK/Mexican relations have increased in substance but level of trade is abysmal. We can and must do better (paras 17 to 19

BRITISH EMBASSY

MEXICO CITY

The Rt Hon Douglas Hurd CBE MP
Secretary of State for Foreign and
Commonwealth Affairs
LONDON SW1

6 July 1992

Sir

MEXICO: PRESIDENT SALINAS' INHERITANCE AND PROSPECTS

1. The President of Mexico, Carlos Salinas de Gortari, will be paying an official visit to Britain between 18 and 21 July as the guest of the Government. It will be the fourth visit by a Mexican President in the last twenty years. Salinas himself undertook a working visit in January 1990 while Luis Echeverría and Miguel de la Madrid made State Visits in 1973 and 1985 respectively.

2. Just over half way through his six year mandate, Carlos Salinas is popular at home and widely respected abroad. As you found when you called on him in Mexico City at the end of May, he is highly intelligent, has his fingers on all the levers of power and has limitless nervous and physical energy. Thanks to him and his able ministerial team, the economy has been a major success story. As Mexico reaches the final stages of negotiations for a North American Free Trade Agreement (NAFTA), there is much confidence in the air. But when Salinas took up office in December 1988, amidst widescale allegations of fraud, things looked very different. This despatch seeks to describe the Mexico that Salinas inherited and his achievements to date. It also offers a forecast of what may lie ahead during the remaining two and a half years of his Presidency.

/SALINAS'...

SALINAS' INHERITANCE

3. Stability did not really return to Mexico after the bloody revolution of 1910 to 1917 until the National Revolutionary Party (PNR) came to power in 1929. This party, known now as the Institutional Revolutionary Party (PRI), has run the country ever since. During the forty years up to 1970 the Mexican economy expanded impressively: inflation was consistently low and growth averaged over 6 per cent per annum. Against a background of massive migration from the rural areas to the cities, especially the capital, Mexican industries developed, protected from external competition by import substitution policies that included licensing and high tariffs. When Echeverría became President in 1970 he mistakenly sought to achieve a much higher growth than was prudent. Spurred on by major oil discoveries, public spending increased (much of it on bailing out private sector companies) and foreign borrowing rose abruptly. The fiscal balance was lost. By the end of Echeverría's mandate in 1976, Mexico was in a major economic crisis. This deteriorated still further under his profligate and corrupt successor, Lopez Portillo, culminating in the debt crisis and nationalisation of the banks in 1982.

4. It fell to Miguel de la Madrid (1982 to 1988) to try to pick up the pieces. He brought Salinas into his cabinet as his Planning and Budget Minister. Salinas became the chief architect of de la Madrid's economic policies, reducing drastically the public deficit (from 18 per cent to 8.5 per cent of GDP in 1983), taking Mexico into the GATT in 1986 and embarking on a widespread programme of economic liberalisation. De la Madrid laid the foundations for Mexico's present economic success and remains an under-estimated President. But his Presidency was overshadowed by the spectre of the enormous debt burden (US $107 bn in 1987) and rocked by the devastating earthquake that struck Mexico City in 1985.

THE SALINAS YEARS TO DATE

5. Many observers were surprised when in 1987 in traditional Mexican style, de la Madrid settled the succession ("dedazo") on Carlos Salinas, the youthful, balding, Harvard economist who had won a silver medal in riding in the 1971 Pan-American Games. In the Presidential elections in 1988 many claimed that it was only as a result of fraud that he made his way to

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the Presidential residence of Los Pinos. They held that the rightful victor was really Cuauhtemoc Cardenas, the leader of the left wing Democratic Revolutionary Party (PRD), and son of President Lazaro Cardenas, who had become a national hero when he nationalised the (British and American) oil companies in 1938. Few people questioned Salinas' economic ability. But many asked themselves whether he had the political talents to ride his way through the controversy that surrounded his election and to set about tackling Mexico's pressing economic and other problems.

6. He has proved his critics wrong. He had the wisdom to select a first-class team of economic Ministers, who would have made their mark in any country. Through a tough package of fiscal and other measures, the economy is back firmly on the rails: public sector indebtedness is under control: the economy is growing comfortably (averaging over 3 per cent per annum, more than half a point above the rate of population increase); reserves are at high levels; inflation (which reached nearly 160 per cent in 1987), is below 20 per cent and falling; and public sector finances are this year expected to show a surplus for the first time in over a quarter of a century. The programme of market liberalisation has accelerated. Tariffs have been greatly reduced, the requirement for import licenses has almost been eliminated and the highly successful privatisation programme, covering areas as diverse as the airlines, the copper mines, steelworks, telecommunications and the banks, has so far brought in over US $15bn, most of it used to pay off internal debt. Confidence, both foreign and domestic, has returned to Mexico on a major scale. Capital inflows last year totalled over US $ 20 bn. Foreign investment, albeit much of it speculative, is on the increase and much Mexican capital is being repatriated.

7. It is, however, not only in the economic arena that Salinas has been active. He also has that necessary ruthless streak to enable him to deal with difficult and sensitive national and political issues. At an early stage he demonstrated great courage in tackling head on corruption and drug trafficking. His imprisonment of the immensely corrupt petroleum workers' union leader, La Quina, boosted his personal popularity and reputation. He has set about trying to reduce (still extensive) police torture and other abuses through the establishment of the National Human Rights Commission. More recently, in an effort to modernize Mexico's backward and unproductive agriculture,

/Salinas...

Salinas has amended the constitution to halt land distribution and open up the communal ("ejido") system of land tenure, seen by many as one of the major outcomes of the Revolution, so that ejido plots can be sold or mortgaged. Relations between the State and the Churches are also being put on a more realistic footing. There is a fair prospect that relations with the Vatican will be reestablished after a break of over 130 years.

8. Externally, Salinas' principal priority has been the negotiation of a NAFTA with the United States and Canada. The importance of the change of policy - and of heart - that this represents cannot be overstressed. It is a development which would have been considered unthinkable only a few years ago given the suspicions and antagonisms that have characterized Mexico/US relations ever since the appropriation of half of Mexico's territory in the 1840s. The negotiations are, however, proving tough and by the time Salinas gets to London later this month, an agreed NAFTA text may still be some distance away. This apparent slowing in pace has taken place against the background of the outcry caused last month by the US Supreme Court's decision that the Mexican doctor Alvarez Machain should be tried in the United States despite his kidnapping from Mexico by DEA agents for his alleged involvement in the murder of a DEA agent in 1985. Only now is the situation cooling down.

9. Not all Mexican eggs, however, have been reserved for the NAFTA basket. Priority has also been accorded to enhancing relations with the Pacific Basin, the European Community and the rest of Latin America. A Free Trade Agreement (FTA) with Chile is already in force, and FTAs with Colombia and Venezuela (by 1993) and with Central America (by 1996) are in prospect. OECD membership remains a major ambition. Increasingly, Mexico is becoming a voice of significance in international affairs. Her important role in the Salvadorean peace process was a case in point. Much of the credit must go to Salinas himself. He is now widely respected as an interlocutor of international standing.

/10. Not...

10. Not everything is rosy in the Mexican garden: inevitably there are some blemishes. On the economic front, the deteriorating trade and current account deficits are a cause of some preoccupation. The Mexican Government justifies the imbalances on the grounds that the deficits, which are privately financed and fully covered by capital inflows, are due mainly to imports of intermediate and capital goods needed to modernize Mexico's industrial base and in due course generate exports. There is force in this claim. But imports of consumer goods by the private sector seem also to be increasing at a rapid tempo. The social situation also needs watching. Few of the benefits of Mexico's economic success at the macro level have yet made their way down to the lower strata of society. A third of the country's 83 million or so people live at or below the poverty line. The Salinas administration has so far managed to deal with this potentially explosive situation through a combination of a reasonably effective prices and incomes policy, increased social spending and the politically highly successful, relatively uncorrupt and efficient "Solidarity" Programme (PRONASOL) for helping the poor. Over US $ 2 bn are being spent on the programme this year. But many millions throughout the country still lack basic essentials such as water, power, sewage, decent housing and health care. The large parallel economy continues to be an important safety valve. But a great deal remains to be done.

11. It is also disappointing that progress towards greater political democracy has lagged so far behind economic liberalisation. The PRI still dominates at all levels - Federal, State and Municipal - and fraud continues to be a significant feature of most elections. Some opposition victories have been achieved - generally by the right wing National Action Party (PAN), which currently holds two of the 31 Governorships and the mayoralties of a few State capitals. But these were more Government/PRI concessions designed to defuse popular demonstrations and impress foreign opinion (especially US, in view of NAFTA) rather than the result of a sudden blinding vision of the democratic light. The case for genuine conversion still remains unproven.

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THE FUTURE

12. During the remainder of his mandate Salinas will continue to accord a high priority to the economy. He is proud of his achievements to date. But he is determined not to allow complacency to creep in - a threat to which the Trade Minister, Jaime Serra Puche, alluded when you met him in May. Salinas' principal objective is single digit inflation. There must be a reasonable chance of achieving this in 1993 if not this year. He will also want to reduce the debt burden still further and to ensure that the public accounts stay balanced. Salinas recognizes that recession in the United States, far and away Mexico's most significant trading partner, will be a constraining factor with regard to growth. This seems unlikely to be much more than 3 per cent this year. He must, however, be hoping for something around 4 per cent for 1993 and 1994. The present phase of the privatisation programme is expected to come to an end by April 1993. Attention thereafter will be on activities rather than companies. Mexican Ministers have mentioned in this connection airports, ports, power generation (leaseback arrangements), railways and water distribution. The highly sensitive oil sector seems certain to remain under Mexican State ownership and control at least during the Salinas Presidency despite pressure from the Americans in the NAFTA context. The Mexicans will, however, want to go as far as they can towards greater liberalisation in this area without endangering the constitutional proprieties, notably as regards petrochemicals and non risk-taking activities (eg drilling under licence).

13. The prospects for an early conclusion of NAFTA shift repeatedly, but both sides are well aware of the pressures of electoral and other timetables. Ratification by the US Congress will almost certainly have to await 1993. This Agreement will lock Mexico almost irreversibly into the American economy. But the Mexican Government will hope that NAFTA will set in concrete the principle of the market. They also hope that NAFTA will bring more foreign investment (and not only from the United States and Canada), more industrial development, more jobs and higher living standards. All this of course will take time; and there will be substantial minuses on the Mexican side after the transition periods have ended, eg in agriculture (maize), dairy produce, meat and some consumer goods. Once implemented, NAFTA will fundamentally

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alter the thrust and structure of Mexican policies as well as social and cultural attitudes. Mexico will increasingly identify with the North, with all that this implies in terms of standards, outlook and expectations. The process will be slow and jerky. But seen over decades the process will be no less profound. Within Mexico itself there are already fears of a North/South divide with the richer Central and Northern States standing to benefit much more from NAFTA than impoverished Southern provinces like Chiapas and Oaxaca. On the wider scale the Mexicans, in accordance with their predilection for political and economic reinsurance, may well want to pay greater court to European countries from now on. There have already been indications that they may be after a more substantive accord with the European Community than the Third Generation Agreement signed in Luxembourg in April 1991.

14. Salinas will also clearly need to continue to pay close attention to the social situation. His well publicised concern with the plight of the poor is, I believe, genuine. But he also knows that his prospects of getting his chosen candidate into the Presidency in 1994 will be enhanced to the extent that those at the bottom of the scale begin to feel that some benefits are coming their way. "Solidarity" will doubtelss continue to be a central plank in this context. It is relevant that he recently transferred this programme to a large new Social Development Ministry, under his ally and potential Presidential candidate, Luis Colosio. Education will also be a major target and a new programme for improving basic and secondary education and teacher training was announced just a month or so ago. It is no coincidence that another close associate of Salinas - and another Presidential aspirant - Ernesto Zedillo de Ponce, has been put in charge of the Education portfolio. Salinas will also want to push ahead with his agriculture reforms, ensuring that any opposition to his land tenure plans from peasant, PRD and other groups is fully contained. The growth of a relatively prosperous middle class and the emergence of a blue collar class, both with a vested interest in stability, will also work to Salinas' advantage.

/15. The...

15. The way ahead is much less clear on the political front. Salinas will be reluctant to concede too much to the opposition when it comes to elections. But he ia also aware that world, and especially American, attention is focussing more on Mexico than in the past. Mario Vargas Llosas' description of Mexico as the "perfect dictatorship" will have stuck in his throat. Elections for Governorships and regional Assemblies will be taking place in 12 States this year. There is much speculation whether one or two further concessions may be made to the opposition, including, perhaps, another Governorship for the PAN (in Chihuahua). The elections in a number of these States will be taking place on 12 July close to the eve of the President's departure for Britain.

16. Whilst this year's gubernatorial elections will be interesting tests, the real examination will come in 1994 when a successor to Salinas will have to be elected. There had been some speculation that Salinas, who will still be only 46 when his mandate expires, might try to amend the constitution to permit a second term. He has recently, however, publicly ruled this out. It would have been a high-risk strategy and one that could well have backfired. I am sure that his aim instead will be to step down as one of Mexico's most successful Presidents since the Revolution. The succession process within the PRI may perhaps be a little more democratic - and more transparent - than has been the case in the past. But Salinas will wish to ensure that the next President will be someone in his own mould who will continue his programmes and policies. There is already much speculation. Four potential candidates are jockeying for position. The highly regarded Finance Minister, Pedro Aspe (on whom you called) and Luis Colosio are probably the front runners at present. Camacho Solis, the Mayor of Mexico City (a Cabinet appointment) may have fallen back in the race for the present following criticism of the way he has handled the city's deteriorating pollution problems. Waiting in the wings is the highly intelligent Ernesto Zedillo. But there are more than two years to go; and we should not forget that the other parties will also present their candidates. Cardenas will doubtless represent the PRD again. He has, however, been something of a spent force since he came so close to upsetting the apple-cart in 1988. As for the PAN, they are at present divided and it is difficult at this stage to foresee who will emerge as their candidate. The odds are heavily in favour of one of the four PRIstas mentioned above receiving the Presidential sash of office from Salinas in December 1994.

/UK...

UK/MEXICO RELATIONS

17. When Salinas became President in 1988 the bilateral relationship, though friendly, was lacking in substance. As you found last month, this has now changed. Salinas' own visit to Britain in January 1990 helped to get our relations on to a different track. Since then there has been a succession of high level visits in both directions. This year alone three British Cabinet Ministers have been here so far, including yourself, as well as the Governor of the Bank of England. We are third in the Mexican investment league, and Cadbury Schweppes' recent acquisition (US $325 million) of a major Mexican mineral water company may even have put us back into second place above Germany. The Mexicans greatly value our scholarship programmes, English Language Training and other aspects of our technical cooperation activities. They also much appreciated our contribution, which you were able to announce when you were here, to the reconstruction necessary after the Guadalajara disaster in April. And they are grateful for the modest assistance we have been able to give from time to time on the anti-drugs front. Of greater significance is the fact that, in the light of historical experience, the importance of English as a means of communication and widespread ambivalance towards the US, the UK is seen as an attractive counterweight.

18. The one area in which our bilateral relations are disappointing - as you noted when you were here - is trade. It is abysmally low in both directions. Although the balance is in our favour, it is disturbing that our exporters enjoy little more than one per cent of the market. Difficulties with ECGD cover have been a constraining factor in the past but the situation here, though far from perfect, is much improved. I believe that a basic problem is one of ignorance on the part of British businessmen, many of whom regard Latin America as a monolithic, inhospitable and debt-ridden bloc. With the exception of the multinationals and bankers long-established in the market, they do not appreciate the extraordinary revival of the Mexican economy or the prospects this offers. I hope that President Salinas' visit to Britain, the programme for which has considerable commercial content, will help to demonstrate that the performance of her economy makes Mexico a country eminently deserving of attention in her own right as well as within the broader North American context.

/CONCLUSION...

CONCLUSION

19. President Salinas will be visiting Britain at a time when the Mexican economy is performing well, and when his own popularity at home and his reputation, international as well as domestic, are running very high. Two of the Ministers who will accompany him, Aspe and Serra Puche, are among the ablest to be found in any Ministerial economic team. I am sure that The Queen, the Prime Minister and your Ministerial colleagues will find them a stimulating group. Salinas will wish to demonstrate that Mexico needs to be taken seriously, and is no longer the stereotype of mariachi hats, cacti and mañana, but a modern industrial country with praiseworthy stability and a persuasive, if relatively recently established, economic record. Mexico may still be based in the Third World but her claims to a more elevated status are increasing. Salinas' main objective will be to generate yet further British investment interest in Mexico. As indicated above, however, I hope that trade will not be given a back seat. It is essential that as many of our exporters as possible be exposed to the messages of good news about the Mexican economy that will issue from Salinas and his colleagues. We can and must do better in the Mexican market.

I am sending copies of this despatch to Her Majesty's representatives in Washington and Ottawa, to the Chancellor of the Exchequer, to the Secretary of State for Trade and Industry and to the Governor of the Bank of England.

I am, Sir,
Yours faithfully

Roger Hervey

R B R HERVEY

RESTRICTED

GUEST OF GOVERNMENT VISIT BY PRESIDENT SALINAS OF MEXICO: TALKS AND DINNER ON MONDAY 20 JULY

CONSOLIDATED LIST OF POINTS TO MAKE

The Prime Minister may wish to make the following points:

- Welcome the President's visit as a token of a deepening relationship.

- Keen to see levels of trade and investment raised. UK has much to contribute to Mexico's development: quality products, expertise, technology, investment and financial services.

Economy

- Congratulations on your record on inflation and adjustment;

- Hope you will be increasingly successful in raising capital inflows, which will be very important to finance the widening current account deficit;

- Welcome recent discussion of Mexico's economy at the OECD, but it is not yet possible for the OECD to take a position on approaches for full membership by non-members.

NAFTA

- Community following NAFTA negotiations with interest. Hope it will have liberalising influence on world trade. Essential that NAFTA is fully GATT-compatible.

- Note some concerns that draft text on financial services could discriminate against foreign controlled banks. This would be contrary to aim of Uruguay Round services negotiations and OECD codes on national treatment, and would damage our common objective of encouraging investment in Mexico. EC demarche being made in capitals.

- Will also be important that liberalisation of Mexican banking regime under NAFTA does not delay third countries' rights to establish branches in Mexico and operate full banking services, especially given plans to license additional domestic banks.

Oil

- Interested to hear details of the proposed break-up of PEMEX.

- How do you envisage these proposals improving efficiency and encouraging competition?

- Would like to encourage the Mexican Government to allow foreign companies access to Mexican hydrocarbon reserves. UK is a world leader in oil and gas development; hope we can collaborate in order to help Mexico develop her hydrocarbon resources.

EC/Latin America

- Important that Community maintains high-level contacts with Latin America. EC-Rio Group meeting in Santiago confirmed health of relationship.

UNCED

- Essential that we turn the agreements reached in Rio into practical action. Therefore wrote to G7 and EC leaders proposing that our countries commit themselves to a follow-up action plan. Now endorsed in broad lines by Lisbon European Council and Munich G7 Summit. Hope Mexico will take on similar commitments.

- Like Mexico, UK places great importance on the conservation of biodiversity. Darwin initiative, which I announced at Rio, the centrepiece of our contribution to the follow-up to the Convention. The initiative will place at the disposal of other countries the experience of, among others, the Royal Botanical Gardens at Kew and Edinburgh, the Natural History Museum at London and the World Conservation Monitoring Centre at Cambridge. The aim will be to:

  - help carry out country studies of available natural resources and biodiversity in other countries;

  - establish goals for research and monitoring;

  - develop inventories of the most important species, habitats and ecosystems;

  - promote international cooperation in technology and techniques for conservation and sustainable use of biological resources.

Drugs

- Recognise the danger the drugs trade poses to stability and democracy in Latin America, and throughout the world. Welcome Mexican determination to fight the

problem.

- International cooperation vital to tackle the problem of trafficking. Essential that all countries take effective action.

- Machain case (if raised): a bilateral matter between US and Mexico.

GATT

- Regret Munich Summit could not reach substantive agreement on GATT. But, following CAP reform agreement, elements of agriculture deal can now be easily identified.

- Early conclusion of Round therefore remains important objective of British presidency, especially given G7 view - in communique - that Round will be concluded before end of 1992. Need now to press ahead with work on services and market access so that final package can be ready early in the autumn. Expiry of US fast track negotiating authority (June 1993) imposes real time limit.

Chemical Weapons

- Two Gulf Wars have illustrated real nature of CW threat. Agreement on comprehensive, verifiable ban on CW will make important contribution to global security, especially in areas of regional tension.

- Believe there is real opportunity to agree Convention this year. If not taken now chance may be lost indefinitely.

- Hope that Mexico will join us in pressing strongly for

completion of CWC negotiations this summer.

Treaty of Tlatelolco

- Welcome fact that Argentina, Brazil and Chile are now actively seeking to bring the Treaty into force for themselves.

- Having studied the proposed amendments, we are not sure why they are thought necessary, but we will not oppose them if others support them.

- Has Mexico been approached for views on the amendments, and have proposals been submitted to OPANAL?

SALINAS DE GORTARI, LIC CARLOS

President of the Republic since 1 December 1988.

Born 3 April 1948 in Mexico City. Father, Raúl Salinas Lozano, was an economist from Monterrey who studied at the Autonomous University (UNAM) and the London School of Economics in the late 1940s. He occupied a variety of posts in the Finance Ministries and was Minister of Trade and Industry under President López Mateos (1958-64). He was Senator for Nuevo Leon 1982-88. He is currently President of the National Institute of Public Administration. Salinas' mother, Margarita de Gortari Carvajal, died in February 1992. She was also an economist, and was the first President of the Mexican Association of Professional Women.

Educated at the exclusive Abraham Lincoln School, the Héroes de Chapultepec Secondary School and the National Preparatory School San Ildefonso. Joined the PRI at the age of 18. Graduated in Economics from UNAM (1966-69). In 1972 Salinas went to Harvard University for his post-graduate studies: Masters in Public Administration (1973). Masters in Political Economy (1976) and Doctorate in Political Economy (1978).

Salinas' career before his nomination as the PRI's presidential candidate was spent entirely in the economic Ministries. He worked as an analyst in the Finance Ministry from 1970 to 1974. In 1976 he was Deputy Director of Economic Studies whilst de la Madrid was Deputy Minister of Finance - an association which became increasingly close over the next 12 years. In 1979 de la Madrid, then Minister of Budget+Planning, appointed Salinas Director General of Economic and Social Policy to prepare the Ministry's Global Development Plan. Salinas was concurrently technical Secretary of the Economic Cabinet. When de la Madrid was chosen as presidential candidate of the PRI in 1981, he appointed Salinas Head of the Institute of Political Economic and Social Studies (IEPES) - the body responsible for drafting the policies and programmes of the incoming administration.

On de la Madrid's accession on 1 December 1982, Salinas was appointed Minister of Budget and Planning at the age of 34. For the next six years he was de la Madrid's closest economic adviser. He was generally perceived to be the architect of the Administration's economic austerity measures. He was also a strong advocate of Mexican membership of the GATT and other elements of de la Madrid's attempts to open up the Mexican economy.

Salinas' nomination as the PRI's presidential candidate on 4 October 1987 reflected de la Madrid's preference for

continuity and consolidation in Mexico's economic policies. Salinas was seen as the quintessencial modern technocrat, never having held elective office, nor worked in the party machine.

On 6 July 1988 Salinas was elected President in one of the most hotly contested and controversial elections in Mexican history. The results were widely believed to have been rigged, although Salinas may just have won. Salinas began his presidency on 1 December 1988, with his, and the PRI's, credibility severely dented. But he confounded his critics in the first few months in office. He pursued with renewed vigour the economic liberalisation measures started under his predecessor. And Salinas' courageous attacks on corruption and drug trafficking boosted his personal reputation.

Over half way through his mandate Salinas has achieved remarkable success in putting the economy back firmly on the rails: the external debt is of more manageable proportions, public finances are in balance, reserves are healthier, inflation is coming down and privatisation has been a success. And he has shown much courage in changing policy in particularly sensitive areas such as land holdings and Church/State relations. Externally, Salinas has accorded highest priority to concluding a North America Free Trade Agreement, but without neglecting relations with Europe, the Pacific Basin and the rest of Latin America. On the negative side, progress towards real democracy has been very slow (widespread fraud still characterises Mexican elections at all levels) and around a third of Mexicans still live at or below the poverty line.

Sharp intellectually, Salinas' strengths are on the economic side. But thanks to "Pepe" Cordoba, Fernando Gutierrez Barros and others he has rapidly developed his political antennae. It is clear from his frequent tours around the country that he is able to project well both himself and his policies (particularly the PRONASOL programme for helping the poor) and he is a popular President. But many believe that it is his lack of political experience that has made him unduly cautious when it comes to greater democratisation.

In private Salinas is relaxed and personable. His receding hairline earned him the nickname "El Pelón" (Baldy). He is a keen sportsman: jogging, tennis and riding (for which he received a silver medal in the Pan American Games in 1971).

He married Cecila Occelli González in 1972. They have three children, two of whom study at the Japanese school in Mexico City (the nearest international school to their private house). The family appears in public fairly frequently, reflecting the importance Salinas attaches to family life (there are, however, many reports of another attachment).

Speaks excellent English when protocol permits him to use it. Lively intelligence and quick, darting manner consistent with his agile manipulation of the levers of power.

SOLANA MORALES, LIC FERNANDO

Foreign Minister since December 1988.

Born Mexico City 1931. Studied civil engineering and philosophy then graduated in political science and public administration from the National Autonomous University of Mexico (UNAM) in 1964. A lecturer in political science at UNAM 1965-75. Secretary General of UNAM, 1966-70. His early career (1952-66) was in journalism: he worked for various dailies and magazines in Mexico City. Researcher in international economic problems at National Finance Bank (NAFINSA) 1961-65. Adviser to National Union of Sugar Producers 1964-66. Member of the Commission of Public Administration with the Ministry of the Presidency 1965-66. Member of the Directing Council of the National Centre of Productivity 1966-70. Director of Planning and Finance in CONASUPO 1970-76. Minister of Commerce 1976-77. Minister for Education 1977-82. Director General of National Bank of Mexico (BANAMEX) 1982-88.

A protegé and close confidant of ex-President López Portillo (with whom he worked in the Ministry of the Presidency in the sixties). As Minister of Commerce he won the confidence of the business community. His competent administration of BANAMEX earned him more general recognition than his current job.

Under Solana, the Foreign Ministry has become rather marginalized, the Presidency taking a particularly close interest in major foreign affairs matters, notably relations with the United States, whilst the Finance and Trade Ministries have made most of the running on the external debt and NAFTA negotiations, respectively. Solana is not himself particularly close to Salinas, with whom he has little in common.

Keynote speaker at a Canning House seminar on UK/Mexican commercial relations in October 1977. Host to Mr Dell, Secretary of State for Trade, during the latter's visit to Mexico in August 1977, and to Mr Carlisle, Secretary of State for Education and Science, in April 1981. Paid an official visit to Britain in June 1981. Received Mr Kenneth Clarke, Secretary of State for Education and Science, and Mr Peter Lilley, Secretary of State for Trade and Industry in January 1992.

A small, neat man with a pleasant, easy manner. Married Gloria Amtmann (an MFA official) in 1991. She is his fourth or fifth wife: accounts vary.

Speaks English, but these days nearly always uses an interpreter.

SEPULVEDA AMOR, LIC BERNARDO

Ambassador to London since March 1989. Minister of Foreign Relations 1982-88.

Born Mexico City 14 December 1941. Educated at the exclusive Catholic School - Simon Bolivar College Mexico DF. Graduated with honours in law at the National Autonomous University of Mexico (UNAM) in 1964. Obtained a masters degree in international law from Queen's College, Cambridge, in 1966. Shortly afterwards he wrote a much-praised paper justifying Mexico's decision not to follow other Latin American countries in breaking diplomatic relations with Cuba.

His first government job from 1968-71 was as Deputy Director-General of Legal Matters in the Presidency. Adviser to the Minister of Finance from 1971-75, specialising in foreign investment in Mexico. Director General of International Financial Affairs in the Ministry of Finance 1976-81, initially working directly to Lic de la Madrid, then Deputy Minister of Finance. In this period he was Chairman of the United Nations Committee on Transnationals. He also served on Mexican delegations to various United Nations conferences, including the Law of the Sea Conference from 1974-75. From 1977-80 he was a member of the Mexican delegations to the Annual Assemblies of the IMF and World Bank, and of the Interamerican Development Bank, and to the meetings of the Council of the Latin American Economic System (SELA).

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

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

He is Professor of Law at the Colegio de Mexico and helped found its Centre of Studies on the United States. Has written many books on a variety of subjects including GATT, Law of the Sea, the United Nations, and foreign investment in Mexico.

/His

His tenure of office as Foreign Minister was characterised by Mexico's adoption of a much more active policy towards Central America - exemplified by the efforts of the Contadora Group - to which Sepulveda directed much attention, aimed at achieving a regional settlement. The Foreign Ministry, under Sepulveda, remained the custodian of Mexico's traditional aspirations to play a leading role in disarmament (Six Nation Disarmament Group) and development. Regarded by the Americans as overly sympathetic as Foreign Minister to the Third World.

Tall and slow-speaking, he takes evident care to burnish his well-mannered appearance. Decorative wife (but with whom relations are on a formal footing): Ana can be both indiscreet and strongly anti-American in private. Both are however at pains to preserve the proprieties in public. Three sons (one at University in the UK and another at Westminster). With his Cambridge background is well-disposed towards Britain. As Ambassador to London, Sepulveda has been active in helping to thicken the bilateral relationship. Takes a particularly close and constructive interest in programmes for senior visits in both directions.

Speaks excellent English.

CORDOBA MONTOYA, DR JOSE

Cabinet Secretary and Senior Presidential Adviser since December 1988.

Born in La Ciotat, France, in 1950. Parents Spanish. Graduated in engineering from the Ecole Polytechnique, Paris, in 1973. Master in Philosophy from the Sorbonne 1973. Studied Economics at Stanford University 1978-79 but did not present his thesis for a doctorate. Professor at the University of Pennsylvania 1978-79. Visiting Professor, Colegio de México, 1979.

Economic Adviser to Mitterrand during French Presidential election of 1974. Adviser in Ministry of Agriculture, Algeria 1977.

Arrived in Mexico in 1978 and became a naturalised Mexican. Adviser to Director General of Taxation Policy in Finance Ministry 1978. Director of Regional Planning in Ministry of Budget and Planning (SPP) 1979-81. Adviser to Director General of IEPES (PRI Think Tank) 1982. Director General of Economic and Social Policy, SPP, 1982-83 and 1985-88. Chief Adviser to Salinas at Budget Ministry 1983-85.

"Pepe" Córdoba was Salinas' Special Adviser during the Election campaign in 1988. He was a member of the small transition team of advisers at the end of the de la Madrid Administration. Ineligible for a Ministerial assignment because of his French background, he wields considerable influence in his present job and is very much the "eminence grise".

Modest and unassuming, he is nevertheless one of the most powerful men in Mexico. He speaks excellent English.

NOTES FOR REMARKS BY PRIME MINISTER AT DINNER FOR PRESIDENT SALINAS

- Great pleasure to welcome you to London, Mr President. Latin America returning to the attention of the British people. Those British people include me. Last month I visited Colombia and Brazil. Douglas Hurd in Mexico in May.

- ~~No more than a revival of~~ long-standing historical connections. Last century Britain stood side by side with many Latin Americans as they fought for their freedom. Britain was the only non-Latin American country present at the Panama Congress in 1826, when Simon Bolivar set out his plan for a confederation of the states of the region newly independent from Spanish rule.

- 166 years on, Mexico is a real success story. The transformation of the past few years has been remarkable in turning round an ailing inward-looking economy into a prosperous open system, taking an increasingly important place in the world.

- We are adjusting to that success. We are building the political dialogue we should have with an important partner.

- On the commercial side, too, there are signs of progress. But much still to be done. I am glad to hear of the substantial level of British investment in Mexico. We would also like to increase the level of trade between our countries.

for the Council

has flown back to the Lord. And to Ladbil ever been united. //

Welcome John Smith Lord following his election as Leader of the Opposition.

I trust you will find cross-party agreement at the ~~decorative~~ importance of building up the relationship between our two countries.

- Cultural exchanges, too, are crucial. Mexican culture figures largely on the London scene at present. You
- visited yesterday the remarkable ~~"Skeleton at the Feast"~~ ~~exhibition~~ at the Museum of Mankind. This autumn, there is to be a major exhibition of ancient Mexican art at the Hayward Gallery. I hope more British people will come to recognise Mexico's rich cultural heritage.

- We are following with great interest your negotiations with the US and Canada for a North American Free Trade Agreement, which reflect an historic change of perspective. You are doubtless aware of the concerns we had at an earlier stage that this might turn out to have protectionist implications. We are much relieved to be reassured that NAFTA is to be an outward-looking body, much as the European Community is. If there is one thing we have learnt over the past 20 years, it is that prosperity cannot be assured by cutting ourselves off from the world market.

- In wishing that prosperity for all the Mexican people, I offer my personal best wishes to you, for the remainder of your stay in London, for your visits to France, Spain and Hungary, and for the continuing success of Mexico under your able guidance and leadership.

PO7AAF/2

OUTLINE PROGRAMME
VISIT OF THE PRESIDENT OF MEXICO ON MONDAY 20 JULY

1730 President of Mexico arrives for Talks

Prime Minister greets President at Front Door
Photocall in Front Hall

Talks in Cabinet Room

President	Prime Minister
Sr Solana	Sir R. Hervey
Ambassador Sepulveda	Mr Adrian Beamish
Dina Kurianski (Interpreter)	Mr Stephen Wall

1830 President departs No. 10

by 1945 All British guests arrive for dinner

1945 President arrives No.10

Greeted by Prime Minister at Front Door

Receiving Line - Prime Minister and President

Photocall

2015 Dinner announced

All guests proceed into State Dining Room except

Prime Minister and President of Mexico

At a signal from the Butler, the Prime Minister and President of Mexico proceed to Dining Room

As they enter Dining Room, Government Butler will announce 'President of Mexico'

All guests clap

The Prime Minister invites the Bishop of Oxford to say 'Grace'

Dinner follows

After dessert plates, side plates have been cleared, table has been brushed down the coffee cups have been placed on the table, the Butler will give the Prime Minister the Toast Sheet and the gavel.

The Toasts will be:

THE QUEEN

THE PRESIDENT OF MEXICO

The Prime Minister remains standing between the two Toasts

Prime Minister will then sit down and coffee is served, together with brandy, liqueurs and tobacco

When all staff have left Dining room the Butler who will be standing immediately behind the Prime Minister's chair will give him the signal that it is time for speeches to start

When the speeches are over, the Butler will check with the Prime Minister whether another coffee is served. If not, then it is time for the Prime Minister to indicate to the guest-of-honour that it is time to rise

After dinner drinks served in Pillared Room

The President signs Visitors' Book on departure from No. 10

Other guests depart

SALINAS VISIT: OUTLINE PROGRAMME 15.7.92

SATURDAY 18 JULY	**17.00**	**Arrive**
SUNDAY 19 JULY	**AM**	**Private programme**
	18.00 -19.30	**Museum of Mankind**
	EVG	**Private programme**
MONDAY 20 JULY	**8.30 -9.30**	**Breakfast with edit. bd. of Economist**
	10.30	**Meeting at Financial Times**
	11.30	**Meeting with Governor, Bank of England, followed by seminar**
	13.00	**LUNCH LORD MAYOR**
	16.00	**SEMINAR AT CBI**
	17.30 -18.30	**TALKS AT NO 10 (separate bilateral Chancellor/Aspe)**
	20.00	**DINNER AT NO 10**
TUESDAY 21 JULY	**8.30**	**BREAKFAST HOSTED BY MR HESELTINE, Lancaster House**
		Calls by leading businessmen (?BA, BP, Trafalgar House)
	10.00 -10.25	**Call by Foreign Secretary**
	10.45 -11.10	**Call by Leader of Opposition**
	12.30	**WESTMINSTER ABBEY: wreath-laying**
	13.00	**LUNCH Buckingham Palace**
	14.40	**Chatham House speech**
	15.30	**Reception at Canning House**
	16.10	**Depart for airport**

REVISED LIST OF GUESTS ATTENDING THE DINNER TO BE GIVEN BY THE PRIME MINISTER IN HONOUR OF HIS EXCELLENCY SENOR CARLOS SALINAS DE GORTARI, PRESIDENT OF MEXICO ON MONDAY, 20 JULY 1992 AT 7.45 PM FOR 8.15 PM BLACK TIE
BRITISH GUESTS ASKED TO ARRIVE BY 1945 HOURS

The Prime Minister

Mexican Suite

His Excellency Senor Carlos Salinas de Gortari	
His Excellency Senor Fernando Solano	Secretary of State for Foreign Affairs
His Excellency the Ambassador of Mexico and Senora Sepulveda	
His Excellency Doctor Pedro Aspe Armella	Secretary of State for Finance and Public Credit
Senor Rogelio Montemayor Seguy	Senator of the Republic
Senor Javier Barros Valero	Under Secretary, Ministry of Foreign Affairs
Senor Pedro Noyola	Under-Secretary for Foreign Trade, Ministry of Trade and Industrial Promotion
Senora Anna Paula Gerard	Technical Secretary, Economic Cabinet
Senor Alfredo Harp Helu	Director General, Banamex (largest commercial bank)
Senor Giullermo Urrea	Chairman, Urrea Group (valve manufacturers)
Senor Rolando Cordera	Director General of Magazine 'Nexos'
Senor Jorge Hernandez Campos	Journalist and writer
Senor Jacobo Zabludovsky	Vice President of Televisa (principal TV company)

Her Majesty's Government

Rt Hon Michael Heseltine, MP

Rt Hon Norman Lamont, MP
and Mrs Lamont

Rt Hon Tristan Garel-Jones, MP
and Mrs Garel-Jones

Conservative MPs

Mr Jacques Arnold, MP and Mrs Arnold	Secretary, UK Latin American Parliamentary Group
Mr Ray Whitney, MP and Mrs Whitney	Chairman, UK Latin American Parliamentary Group
Sir Malcolm Thornton, MP and Lady Thornton	Joint Secretary, All Party Mexico Group

Opposition

Rt Hon John Smith, MP and Mrs Smith	
Rt Hon Gerald Kaufman, MP	

Business

The Lord King of Wartnaby and The Lord King of Wartnaby	Chairman, British Airways. BA resuming flights to Mexico City in 1993
Sir Denys Henderson and Lady Henderson	Chairman, ICl. ICI is the UK's largest investor in Mexico
The Lord Ashburton and The Lady Ashburton	Chairman, British Petroleum. Mexico is the 5th largest oil and gas producer in the world
Mr Leopold de Rothschild	N.M. Rothschild and Sons. Led two trade missions to Mexico in 1990 and 1992. Personally acquainted with the President
Mr Nicholas Baring and Mrs Baring	Chairman, Commercial Union. CU recently took a share in a Mexican insurance company. Looking at prospects for further involvement.
Sir Paul Girolami and Lady Girolami	Chairman, Glaxo Holdings. Chairing CBI Seminar for the President earlier in the day
Sir David Alliance and Lady Alliance	Chairman, Coats-Viyella. Member of two high level business missions (in 1990 and 1992) which met President Salinas
Mr Adrian White and Mrs White	Chairman, Biwater Ltd. Biwater have major water project in prospect in Guadalajara

Media

Mr Rupert Pennant-Rea and Mrs Pennant-Rea	Chief Editor, The Economist. The President will have met the editorial board
Mr Andreas Whittam Smith and Mrs Whittam Smith	Chief Editor, The Independent. Supplement on Mexico planned

Others

Rt Hon Robin Leigh Pemberton and Mrs Leigh Pemberton	Governor of the Bank of England. Visited Mexico in April 1992
Rt Hon Francis Maude and Mrs Maude	
Sir Michael Simpson-Orlebar and Lady Simpson-Orlebar	Director General, Canning House. Ex-Ambassador to Mexico
Dr Robert Anderson	Director British Museum. President will visit the museum to see Mexican codices
Dr Victor Bulmer-Thomas and Mrs Bulmer-Thomas	Director-elect, Centre for Latin American Studies

Church

The Right Reverend the Lord Bishop of Oxford
and Mrs Harries

Officials

Sir John Coles and Lady Coles	Foreign and Commonwealth Office
Sir Roger Hervey and Lady Hervey	HM Ambassador, Mexico

10 Downing Street

Mr Gus O'Donnell
and Mrs O'Donnell

Mr Stephen Wall
and Mrs Wall

10 DOWNING STREET

Stephen

A copy of the President's speech at Dinner tonight. Copies will be handed to British guests

Sue

20/7

OFFICIAL VISIT TO THE UNITED KINGDOM

BY CARLOS SALINAS DE GORTARI, PRESIDENT OF MEXICO

JULY, 1992

[redacted]

I1.DOC

SPEECH FOR THE OFFICIAL STATE DINER

Prime Minister;

Ladies and gentlemen:

I bring a message of friendship from the people of Mexico and greetings to the Prime Minister. This is my second visit to this great nation, which demonstrates my country's interest in strengthening its ties with the United Kingdom and reflects the great progress we have made in promoting trade, cooperation and mutual understanding.

We have recognized each other as friends since our first trade agreements in the early nineteenth century, since the first foreign credit that supported the industrial development of Mexico. Trust has brought us together; we identify with each other as nations with age-old cultures, history and traditions that date back thousands of years. Today, we are also drawn closer together by our shared interest in increasing our trade and improving our knowledge of each other, in uniting our voices to address the challenges posed by a new world order emerging from a difficult effort, and in building new transoceanic bridges between regions of enormous economic potential and immense influence for peace.

World change and the challenges of a new era are precisely the scenario and outlook facing our countries and our relations. The rapid pace of present events is shortening the time available to build a new international system and it demands decisive, clear and unequivocal responses on our part.

For decades, the great threat of full-scale nuclear war overshadowed the enormous challenges facing mankind as a result of polluting growth, impoverishment of the world's most populated regions, major migrations, and regional conflicts in which wrongs locked in place for more than 40 years are being confronted. Today, the world is abruptly awakening to the realities that the developing countries live with on a day-to-day basis. That, perhaps, is why the decade that will bring this century to a close is also a decade that is intensely aware of the human condition and its interweaving of interests; but it is also a decade that calls for major efforts to bolster cooperation and the peaceful settlement of disputes. For Mexico, the construction of an international system that respects the self-determination of nations is vital. Our geopolitical position demands it.

These are unquestionably difficult times. Consequently, it is even more urgent to make international law the foundation of peaceful coexistence in the new world of the twenty-first century. It is not through unilateral measures that

civilization is founded. Agreement, respect and mutual recognition are not passing fashions, but rather the lifeblood of present times and the best opportunity for the world's future.

We know that the intense competition for markets is reinforcing the tendency to create economic zones that concentrate financial, trade and technological dynamics. We must also recognize that the creation of closed blocs that propagate new forms of protectionism and generate trade wars is a risk that has not disappeared. To prevent this, we must turn those economic zones into promoters of trade and, thereby, decisive factors in increasing trade in the world as a whole and, consequently, opportunities for the progress of all regions. Now is a decisive time to make cooperation the rational tool of the coming century. Thus, Mexico views the processes of European unification, consolidated after the Maastricht Summit, as a true opportunity for the rest of the world.

On the basis of unity and collective efforts, the Mexican people have achieved significant stability in their economy. We are also implementing far-reaching reforms in the State and in our economic structures, so as to increase our competitiveness and the presence of our products on international markets and generate savings that will translate

into well-being for the people and particularly for those who have least. Consequently we are also stepping up actions to reinforce the opening of Mexico's economy through agreements with the European Community, Japan, the United States and Canada, and Latin America.

We have been guided by a modernization strategy which combines the efforts of the whole of society. Using consensus as a method, we Mexicans are moving ahead by reaching fundamental agreement on matters of urgency in our national life, such as reducing inflation, raising productivity, improving the quality of education, and agreeing on new laws and political practices. Mexico is effecting changes through dialogue because we want to be certain that the transformation strengthens, rather than weakens, the social cohesion that distinguishes us. No nation's place in the world is assured. Only through the sustenance of its culture and its desire for change, while preserving its values and traditions, can a country respond effectively to the challenges already being imposed on us by the twenty-first century.

Prime Minister:

In the last few years, the understanding between Mexico and the United Kingdom has developed into vigorous bilateral relations. This is exemplified by the agreements we signed on

my last visit to your country on cooperation against the illicit trafficking and abuse of narcotics. In February 1990, the Sixth Meeting of the Joint Commission on Cultural and Educational Exchange and Scientific and Technical Cooperation between Mexico and Great Britain was held in Mexico. On that occasion an agreement covering a program of academic exchange and incentives for scientific and technological research was signed. Similarly, our relations in fields such as agriculture, energy, health and aquaculture have been strengthened by visits from various high-level officials of both nations for the purpose of studying and promoting specific agreements.

We were also pleased by the interest shown by the British entrepreneurial mission during its visit to Mexico in July 1990, in participating in the development of the country's financial infrastructure. In the last 3 years, British investment in my country has doubled. Together with this, the channeling of more than 4 billion dollars in European investments through British banks shows the British financial sector's confidence in the Mexican economy.

Last year an important meeting was held between the financial communities of both countries that resulted in the consolidation of a number of British investment projects. All this is evidence that Mexico and Great Britain are moving

towards a new stage in their bilateral relations, characterized by closer friendship and the fulfillment of joint projects, to the benefit of both our peoples.

Ladies and gentlemen:

The great English poet William Blake wrote "What is now proved was once only imagined." At this crucial juncture, history allows our imagination today to enter into tomorrow's proven truth. This possibility is both a privilege and a commitment. Our generations today have the opportunity to fulfill expectations of better times. The task we are carrying out internationally in the fields of trade, environmental conservation, peace and development is undoubtedly a difficult but decisive one. Prime Minister, we share the conviction you expressed in Rio de Janeiro that the real solution to these problems does not lie in aid, but rather in the expansion of trade and investment that will truly strengthen development and ensure effective protection for the environment. We join in your interest in a prompt solution to the Uruguay Round of GATT and hope to explore the possibility of preferential agreements that will link the United Kingdom to Mexico and Latin America. Such agreements afford opportunities and well-grounded hopes for the generations to come. Let us, therefore, base the future we imagine on today's realities.

Let us embrace the friendship and cooperation that unite and identify us and thus bequeath better circumstances to those who will follow us. I am convinced that Mexican-British friendship will reap the fruits of our joint efforts. We are nations of builders, and we are now showing ourselves to be countries that know how to convert their friendship into benefits for their peoples.

I would therefore like to propose a toast to the health and personal happiness of Her Majesty, the Prime Minister and his distinguished family, and to the strengthening of Mexican-British relations.

DISCURSO PARA LA CENA DE ESTADO

Excelentísimo señor John Major,
Primer Ministro del Reino Unido de Gran Bretaña e Irlanda del Norte;

Señoras y señores:

Soy portador de un mensaje de amistad del pueblo mexicano y de un saludo al Primer Ministro. Esta es mi segunda visita a esta gran nación, que muestra el interés de mi país por estrechar sus relaciones con el Reino Unido y refleja el gran

avance que hemos construido para favorecer el intercambio, la cooperación y el entendimiento recíproco.

Desde nuestros primeros acuerdos comerciales a principios del siglo XIX, desde el primer crédito externo que apoyara el desarrollo industrial mexicano, nos reconocemos como amigos. Nos ha enlazado la confianza, nos ha identificado ser naciones de dilatadas y milenarias culturas, historia y tradiciones. Hoy, nos acerca, además, el interés compartido por elevar nuestro intercambio y conocernos mejor; por sumar nuestras voces ante los retos de un nuevo orden mundial de difícil gestación y tender los nuevos puentes interoceánicos entre regiones de enorme potencial económico y gran influencia para la paz.

El cambio mundial y los desafíos de una nueva era constituyen, precisamente, el escenario y la perspectiva de nuestros países y nuestra relación. Ante el tiempo acelerado del presente, los plazos para edificar un nuevo sistema internacional se acortan y nos exigen respuestas decisivas, claras e inequívocas.

La gran amenaza de la guerra nuclear total opacó, por décadas, los grandes retos a la humanidad derivados del crecimiento contaminante, de la pauperización de las regiones más pobladas del planeta, de las grandes migraciones, de los conflictos regionales donde se enfrentan agravios congelados por más de 40 años. Hoy, el mundo

despierta, abruptamente, a las realidades con las que convivimos cotidianamente los países en desarrollo. Quizás, por eso, la década que cierra el siglo sea a la vez la de una viva conciencia de la condición humana y su entramado de intereses, pero también, la que requiere mayores esfuerzos para impulsar la cooperación y la solución pacífica de las controversias. Para México, es vital construir un sistema internacional que respete la autodeterminación de los pueblos. Nuestra posición geopolítica así lo demanda.

Son momentos difíciles sin duda. Por eso, es más urgente hacer del derecho internacional el fundamento de la convivencia en un nuevo mundo del siglo XXI. No es con medidas unilaterales, como se funda la civilización. El

acuerdo y el respeto, el reconocimiento mutuo, no son modas del pasado, sino la vitalidad del presente y la mejor oportunidad para el futuro del mundo.

Sabemos que la intensa competencia por los mercados impulsa la tendencia a crear zonas económicas que concentran dinámicas financieras, comerciales y tecnológicas. Debemos también reconocer que no han desaparecido los riesgos de que se conformen bloques cerrados que reproduzcan nuevas formas de proteccionismo y generen guerras comerciales. Para evitarlo debemos convertir estas zonas económicas en promotoras del comercio y, de esta manera, en factores decisivos para elevar el intercambio del agregado mundial y, en consecuencia, las

oportunidades de progreso para todas las regiones. Este es un tiempo decisivo para hacer de la cooperación el instrumento racional del nuevo siglo. Por eso, México ve en los procesos de unificación europeos, consolidados después de la Cumbre de Maastricht, una oportunidad positiva para el resto del mundo.

Con base en la unidad y el esfuerzo colectivo, los mexicanos hemos alcanzado una notable estabilidad de nuestra economía. De la misma forma, realizamos una profunda reforma del Estado y de nuestras estructuras económicas, a fin de elevar la competitividad y la presencia de nuestros productos en los mercados internacionales y generar ahorro que se traduzca en bienestar para la población,

particularmente, la que menos tiene. Por ello, también profundizamos acciones para consolidar la apertura económica del país, a través de acuerdos con la Comunidad Europea, con Japón, con los Estados Unidos y Canadá, y con América Latina.

Nos hemos guiado por una estrategia de modernización que suma los esfuerzos de toda la sociedad. Con la concertación como método, los mexicanos avanzamos estableciendo acuerdos fundamentales en ámbitos urgentes de la vida nacional. Lo hemos hecho para bajar la inflación, para elevar la productividad, para elevar la calidad de la educación, para acordar nuevas leyes y comportamientos políticos. México conduce sus cambios en el diálogo porque queremos estar

seguros que la transformación fortalezca y no debilite la cohesión social que nos distingue. Ninguna nación tiene asegurado su lugar en el mundo. Sólo el sustento de la cultura y la voluntad de cambiar, preservando los valores y tradiciones, podrá responder a los retos que ya nos impone el siglo XXI.

Señor Primer Ministro:

El entendimiento entre México y el Reino Unido se ha traducido, en los últimos años, en una intensa relación bilateral. Muestra de ello fueron los acuerdos que firmamos, durante mi anterior visita a su país, de cooperación contra el tráfico ilícito y el abuso de estupefacientes. En febrero de

1990 se efectuó en México la VI Reunión de la Comisión Mixta de Intercambio Cultural y Educativo, y Cooperación Científica Técnica entre México y la Gran Bretaña. En esa ocasión, se firmó un programa de intercambio académico y de estímulo a la investigación científica y tecnológica. De igual manera, nuestras relaciones en ámbitos como el agropecuario, energético, sanitario y de la acuacultura, se han fortalecido con las visitas de diversos funcionarios de alto nivel de ambas naciones para estudiar e impulsar acuerdos específicos.

Asimismo, nos complacemos por el interés mostrado por parte de la misión empresarial británica, en su visita a México en julio de 1990, para participar en el desarrollo de la

infraestructura financiera del país. En los últimos tres años, la inversión británica directa en mi país ha duplicado. Junto con ello, la canalización de más de 4 mil millones de dólares de inversiones europeas a través de la banca inglesa muestran la confianza del sector financiero británico en la economía mexicana.

El año pasado se realizó una importante reunión entre las comunidades financieras de ambos países, en donde se consolidaron diversos proyectos de inversión británica. Todo ello es prueba de que México y Gran Bretaña avanzan hacia una nueva etapa en sus relaciones bilaterales, caracterizada por la amistad fortalecida, la realización de proyectos comunes en beneficio de ambos pueblos.

Señoras y señores:

El gran poeta inglés William Blake decía que "la verdad de hoy es la imaginación de ayer". En este momento crucial, la historia nos permite inaugurar con la imaginación de hoy la verdad del mañana. Esta posibilidad es privilegio y compromiso. Las nuestras son generaciones que tienen hoy oportunidad de cumplir las expectativas de un tiempo mejor. Es, por supuesto, una tarea difícil pero decisiva la que llevamos a cabo internacionalmente en los ámbitos del comercio, la preservación ecológica, la paz y el desarrollo. Compartimos, Primer Ministro, su convicción expresada en Río de Janeiro, de que la solución de fondo en estos temas

no esta en la ayuda, sino que será la expansión del comercio y la inversión lo que verdaderamente fortalecerá el desarrollo y asegurará una efectiva protección al ambiente. Nos sumamos a su interés en una pronta resolución de la Ronda Uruguay del GATT y proponemos explorar acuerdos preferenciales para vincular al Reino Unido con México y Latinoamérica. En ellos están las oportunidades y las esperanzas fundadas para las generaciones futuras. Tengamos, pues, imaginación de futuro en las realidades de hoy.

Abracemos la amistad y la cooperación que une e identifica, y, así, heredar mejores circunstancias a quienes nos seguirán. Estoy convencido que la amistad mexicano-

británica cosechará los frutos del esfuerzo conjunto. Somos pueblos constructores y, ahora, demostramos también que somos naciones que saben convertir su amistad en beneficios para sus pueblos.

Por todo ello, por la ventura personal de la Reina, el bienestar de su Primer Ministro y su distinguida familia, por el fortalecimiento de las relaciones México- Británicas, me permito proponer a ustedes este brindis.

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Foreign & Commonwealth Office

London SW1A 2AH

17 July 1992

Dear Stephen,

GUEST OF GOVERNMENT VISIT BY PRESIDENT SALINAS OF MEXICO: TALKS AND DINNER ON MONDAY 20 JULY

The Prime Minister will have an hour of talks with President Salinas at 1730 on 20 July, and host a dinner in the President's honour that evening.

The President will be accompanied at the talks by the Mexican Ambassador, the Foreign Minister and the President's senior adviser. I enclose personality notes. If you agree, our Ambassador, Sir Roger Hervey, will attend, as well as Adrian Beamish. The Foreign Secretary is unfortunately in Brussels that day for the FAC, but Mr Garel-Jones will return early to attend the dinner . The Chancellor of the Exchequer will have a concurrent bilateral meeting with his Mexican counterpart: both will attend the subsequent dinner.

Internal situation

President Salinas is well past half-way in his 6-year term; under the constitution, he cannot be re-elected. He took office in December 1988 in difficult

political and economic circumstances, with the popularity of the ruling Institutional Revolutionary Party (PRI), in power since soon after the 1910-17 revolution, at a low ebb after years of economic inactivity and charges of corruption and fraud. Salinas' election success was strongly contested by both major opposition parties, and even the official figures gave him an unprecedentedly narrow margin of victory. However, he moved quickly to establish his domestic and international standing. He and his economic team radically reformed the economy: trade liberalisation, combined with a fall in interest rates and inflation, and the negotiations on a North American Free Trade Agreement (NAFTA) have contributed to a high level of business confidence in Mexico, both foreign and domestic.

The PRI won the mid-term elections in August 1991 convincingly, although victory was marred by allegations of fraud and vote-rigging. The latest elections for provincial governors, held on 12 July, have resulted, for only the second time since PRI came to power, in a win for the centre-right opposition party PAN, in the northern province of Chihuahua. The other governorship being elected, Michoacan, remained with the PRI, despite a strong challenge from the left-wing PRD.

President Salinas' personal popularity remains very high. It is clear that his intention for the remaining 2½ years of his term is to continue with economic liberalisation and modernising the bureaucracy. In his

State of the Nation address on 1 November 1991 he indicated that there would be no substantive changes in economic and social policy: next priority areas were to be reform of land tenure, the position of the churches, and education. On political reform, which has lagged behind economic developments, Salinas conceded that further changes were needed.

Economic background

After a number of years of sustained adjustment under the aegis of the IMF, following the 1982 debt crisis, the Mexican economy has started to turn around. Strong fiscal retrenchment and a privatisation programme allowed the budget deficit to be brought under control early on, although at the expense of lower GDP growth. The successful conclusion of a "Brady Programme" in May 1989 enabled Mexico to regularise its relations with the international financial community. A policy of greater openness, particularly with respect to direct foreign investment, laid the foundations for future development.

Inflation has fallen steadily from a high of 116% in 1987 to 12% forecast for 1992 (the official target remains single digit inflation). This has been assisted by fairly tight monetary policy and renewal of the social pact. Confidence in the government's economic management and future prospects (in particular the NAFTA accord - see below) have prompted strong capital inflows. This

has brought official reserves to an all-time high of $18.5 bn. Strong private demand led to growth around 4% last year but also sharply widened the current account deficit to over $13 bn. At least one-third of imports have been plant and machinery which will help produce future exports.

The economy has continued to perform well in 1992, although recent jitters on the Mexican stock market (bolsa) have underlined the fragility of recovery. Sustained development will require long-term commitment of foreign investors; there are concerns about the composition of capital inflows, two-thirds of which have been speculative. These inflows could easily be removed (eg due to a change of sentiment on the NAFTA negotiations). Meanwhile, President Salinas has been acutely aware of the need to broaden the benefits of adjustment, and is actively pursuing the government's Solidarity poverty relief programme.

The Prime Minister may wish to say:

- Congratulations on your record on inflation and adjustment;

- Hope you will be increasingly successful in raising capital inflows, which will be very important to finance the widening current account deficit;

- Welcome recent discussion of Mexico's economy at the OECD, but it is not yet possible for the OECD to take a position on approaches for full membership by non-members.

Oil

At the end of 1991 Mexico had proven recoverable reserves of 52 billion barrels - 5.2% of the world's total. At current production rates these are estimated to last another 50 years. Production in 1991 reached 3.13 million barrels per day, making Mexico the third-largest non-OPEC producer. Oil dominates the energy sector, representing 71% of primary energy supply.

Most oil, gas and basic petrochemicals activities are reserved exclusively to the State in the form of the state-owned company Petroleos Mexicanos (PEMEX). At present there is no opportunity for foreign oil companies to participate in risk/reward activities. For some time PEMEX has been under pressure to improve its efficiency and safety performance, particularly after the recent Guadalajara incident. The 1990-4 National Energy Programme envisaged restructuring and proposals for re-organisation went to Congress on 2 July.

PEMEX will be divided into four subsidiaries:

Exploration and production

Refining

Gas and basic petrochemicals

Secondary petrochemicals

Private investment, including foreign, will only be permitted in the secondary petrochemicals devision. DTI (Offshore Supplies Office) believes there are significant opportunities for UK companies, and during a PEMEX visit to Aberdeen last September, the delegation made encouraging noises concerning UK industry's future development in Mexico's offshore market.

The Prime Minister may wish to say:

- Interested to hear details of the proposed break-up of PEMEX;

- How do you envisage these proposals improving efficiency and encouraging competition?

- Would like to encourage the Mexican government to allow foreign companies access to Mexican hydrocarbon reserves. UK is a world leader in oil and gas development; hope we can collaborate in order to help Mexico develop her hydrocarbon resources.

Relations with the OECD

The OECD is currently undertaking a review of its future (Provins II), including its approach to non-members. No commitments can be given to non-members pending the outcome of the review. It is a personal ambition of President Salinas to see Mexico as a full OECD member by late 1992/early 1993. This is probably premature in view of the limitations of the economy. Nevertheless, a healthy involvement in the work of several OECD committees and eventual accession to NAFTA will increase the pressure to admit Mexico. The Economic Development and Review Committee of the OECD examined the Mexican economy on 9 July: the Mexicans have expressed gratitude that the UK has postponed its own review to allow theirs precedence.

Mexico and North America

The US, Canada and Mexico may be ready to initial a North America Free Trade Agreement (NAFTA) in late July, though election pressures in the US could delay signature until next year. We understand that some provisions of the present draft NAFTA text contain a Canadian proposal to restrict financial services benefits of the agreement to banks and other financial institutions which are majority owned/controlled by North American nationals.

The Foreign Secretary raised this with the Mexicans last month. The Commission will be making informal representations in NAFTA capitals, and the UK would be expected to speak in its Presidency capacity.

Although Mexico has moved far from its traditional antipathy towards the US, sensitivities remain. These were exposed by the recent US Supreme Court decision to allow the trial in the US courts of Alvarez Machain, a Mexican abducted from Mexico in 1990 after allegedly torturing and killing a DEA agent. While this has not been allowed to affect the NAFTA negotiations, there are suggestions that the Mexicans will seek support from other countries for their position. If this is raised, our line is that it is a bilateral matter between the US and Mexico.

The Prime Minister may wish to say:

- Community following NAFTA negotiations with interest. Hope it will have liberalising influence on world trade. Essential that NAFTA is fully GATT-compatible;

- Note some concerns that draft text on financial services could discriminate against foreign controlled banks. This would be contrary to aim of Uruguay Round services negotiations and OECD codes on national treatment, and would damage our common objective of encouraging investment in Mexico. EC demarche being made in capitals;

- Will also be important that liberalisation of Mexican banking regime under NAFTA does not delay third countries' rights to establish branches in Mexico and operate full banking services, especially given plans to license additional domestic banks.

UK/Mexico

Bilateral relations are good, though somewhat lacking political substance. 1992 is seeing a substantial increase in high level political exchanges. Mr Clarke, Education Secretary, visited Mexico on 6-11 January. Mr Lilley (as Trade and Industry Secretary) led a trade mission to Mexico from 20-22 January. The Foreign Secretary made a successful visit on 26-29 May. The Prince of Wales has indicated an interest in visiting Mexico next spring: President Salinas may extend an invitation when he lunches at Buckingham Palace on 21 July.

Mexico is the UK's second largest (£276m) market in Latin America but our market share is only 1%. We do rather better in terms of investment where British companies, particularly in the chemicals and pharmaceuticals field, are well established. Overall we are the third largest foreign investor after the USA and Germany. British companies are, however, beginning to think about positioning themselves in the market to take advantage of a NAFTA and there have been recent new investment decisions by Cadbury Schweppes, Trafalgar House and Coats Viyella.

To underpin economic growth and remove physical constraints Mexico is undertaking a large infrastructure investment programme. British companies are known to be pursuing opportunities in the civil aerospace (BAe and RR), water treatment (Biwater), technical educational equipment (Darwin Instruments) and telecommunications (GPT) sectors.

While there is sufficient ECGD cover available to meet existing demand for medium-term credit insurance, ECGD premium rates have been subject to severe criticism from the business community over the past 12 months or so. Following the introduction of the Portfolio Management System in May 1991, ECGD's premium rates for Mexico were significantly higher than those charged by other Export Credit Agencies. However, rates were reduced by around 15% in November 1991 following a market review and by a further 35% in April 1992 when ministers carried out the annual PMS review. ECGD's rates are still generally the most expensive but these reductions have sharply narrowed the differentials.

British Airways plan to start thrice-weekly direct services to Mexico in summer 1993 after a gap of 7 years. This has pleased the Mexicans, who have repeatedly asked BA to start flying again on the route. The Mexican airline, Aeromexico, is also planning to start direct services to London.

British aid to Mexico is in the form of technical cooperation - British experts and training for Mexicans in the UK. The approved aid framework is to rise from £2.3m in 1992/93 to £3.5m in 1994/5. About one third of the programme is spent on training in the UK, mainly in agriculture, medicine, public administration, science, engineering and technology in general. Within Mexico main activities are in animal husbandry, agricultural engineering, electrical energy, health management and English language teaching. Environment and good government are areas of increasing interest. During his visit in late May, the Foreign Secretary announced a gift of £100,000 for the reconstruction effort after the gas explosion in Guadalajara.

The Prime Minister may wish to say:

- Welcome the President's visit as a token of a deepening relationship;

- Keen to see levels of trade and investment raised. UK has much to contribute to Mexico's development: quality products, expertise, technology, investment and financial services.

EC/Latin America

The European Community signed a new cooperation agreement with Mexico last year, but Mexico receives little EC aid. Meetings between the Community and Rio Group (South America plus Mexico) at foreign minister level, were institutionalised by the Rome Declaration

(December 1990), which also set out priority areas for relations (eg debt, investment, environment and science and technology). The second formal meeting was held in Santiago on 28-9 May 1992: Mr Garel-Jones attended. Following pressure from the Latin Americans, the Community agreed to a senior trade officials' meeting in the Autumn.

The Prime Minister may wish to say

- Important that Community maintains high-level contacts with Latin America. EC-Rio Group meeting in Santiago confirmed health of relationship.

UNCED

President Salinas attended UNCED and spoke at the summit segment. The Mexicans deserve praise for the constructive work in the preparatory negotiations leading to the conference. They helped greatly to bridge gaps between developed and developing country positions especially on financial issues (their approach no doubt influenced to an extent by their wish to join the OECD). President Salinas has a particular interest in biodiversity and has launched his own initiative on the subject. He may well raise the issue and hope to hear more about the Darwin initiative.

The Prime Minister may wish to say

- Essential that we turn the agreements reached in Rio into practical action. Therefore wrote to G7 and EC leaders proposing that our countries commit themselves to a follow-up action plan. Now endorsed in broad lines by Lisbon European Council and Munich G7 Summit. Hope Mexico will take on similar commitments;

- Like Mexico, UK places great importance on the conservation of biodiversity. Darwin initiative, which I announced at Rio, the centrepiece of our contribution to the follow-up to the Convention. The initiative will place at the disposal of other countries the experience of, among others, the Royal Botanical Gardens at Kew and Edinburgh, the Natural History Museum at London and the World Conservation Monitoring Centre at Cambridge. The aim will be to:

- help carry out country studies of available natural resources and biodiversity in other countries;

- establish goals for research and monitoring;

- develop inventories of the most important species, habitats and ecosystems;

- promote international cooperation in technology and techniques for conservation and sustainable use of biological resources.

Drugs

The drugs situation in Mexico is of critical importance to the US but so far of little significance to Europe. Mexico produces one-quarter of the heroin and two-thirds of the cannabis trafficked to the US. It is the favoured trafficking route for cocaine targeted on the US: over half the South American cocaine shipped to the US transits Mexico. Cannabis is a traditional local drug of abuse, and the increased availability of cocaine has created a growing problem of cocaine abuse. Although local opium poppy production is increasing there is so far little local abuse of heroin.

President Salinas has committed his government to the fight against the drug trade and until recently the armed forces participated in joint eradication and anti-trafficking operations with the US; this was, however, suspended following the Machain case. In Mexico there is much enmity and distrust between the federal judicial police and the army, which resulted in the shooting by the army of 7 police agents during a joint operation against an illegal airstrip in November 1991. This focused attention on the need for improved co-ordination, and in January President Salinas announced a new national drugs programme run by a special group attached to the National Security Council.

The Prime Minister may wish to say:

- Recognise the danger the drugs trade poses to stability and democracy in Latin America, and throughout the world. Welcome Mexican determination to fight the problem;

- International cooperation vital to tackle the problem of trafficking. Essential that all countries take effective action;

- Machain case (if raised): a bilateral matter between US and Mexico.

GATT

On GATT, despite her recent preoccupation with negotiations on NAFTA, Mexico supports an early conclusion of the Uruguay Round.

Mitterrand made it clear in Munich that French domestic considerations, including the 20 September Maastricht referendum, ruled out an early GATT agreement. President Bush seemed to accept this. Nevertheless, an EC/US agriculture deal, as outlined to G7 colleagues by the Prime Minister, is technically easily achievable.

In order to prepare the ground for agreement on a final package in the autumn, it might be possible - though difficult - to reactivate negotiations on services and market access, which have been stalled pending

progess on agriculture. Further consultations with the US and others on agriculture might also be needed. These would probably have to be undertaken jointly with the Commission.

The Prime Minister may wish to say:

- Regret Munich Summit could not reach substantive agreement on GATT. But, following CAP reform agreement, elements of agriculture deal can now be easily identified;

- Early conclusion of Round therefore remains important objective of British Presidency, especially given G7 view - in communique - that Round will be concluded before end of 1992. Need now to press ahead with work on services and market access so that final package can be ready early in the autumn. Expiry of US fast track negotiating authority (June 1993) imposes real time limit.

Chemical Weapons

There is now a real possibility of completing the Chemical Weapons Convention (CWC) negotiations at the Conference on Disarmament (CD) this year. A draft convention was presented to the CD on 22 June. It will ban the production, stockpiling and use of chemical weapons. It will also mean the destruction of all existing CW.

RESTRICTED

A group of 12 non-aligned countries, including Mexico, have tabled a paper listing their concerns about the draft convention. They are seeking to reopen debate in the next negotiating session (21 July-7 August).

The Western Group, who have already made a number of concessions to the non-aligned, are supporting the German Chairman's proposal that the final text should be agreed by 7 August and therefore that the text should now be changed only by consensus.

The Prime Minister may wish to say:

- Two Gulf Wars have illustrated real nature of CW threat. Agreement on comprehensive, verifiable ban on CW will make important contribution to global security, especially in areas of regional tension;

- Believe there is real opportunity to agree Convention this year. If not taken now chance may be lost indefinitely;

- Hope that Mexico will join us in pressing strongly for completion of CWC negotiations this summer.

Nuclear

The 1967 Treaty of Tlatelolco created a framework for establishing a nuclear weapon free zone in Latin America. Mexico is the depositary power for the treaty and played a leading role in its negotiation. The treaty's executive agency, OPANAL, has its headquarters in Mexico City.

The treaty is not yet in force for Argentina, Brazil and Chile, but they have now agreed to bring it into force for themselves if certain amendments are made to it. Copies of their proposals were given to us by the 3 countries' Ambassadors in April. They seem largely superficial. We have instructed capitals to tell the 3 countries that, although we would not oppose the amendments, we should appreciate further explanation of them.

The Prime Minister may wish to say:

- Welcome fact that Argentina, Brazil and Chile are now actively seeking to bring the Treaty into force for themselves;

- Having studied the proposed amendments, we are not sure why they are thought necessary, but we will not oppose them if others support them;

- Has Mexico been approached for views on the amendments, and have proposals been submitted to OPANAL?

Mexico is a significant presence in Central American politics, and played a key role in the achievement of the El Salvador peace agreement, signed in Chapultepec, Mexico, in January 1992.

/ I enclose notes on which the Prime Minister may wish to draw when saying a few words of welcome at the dinner, together with a copy of the President's programme. I also enclose a consolidated list of the points the Prime Minister may wish to make.

I am sending a copy of this letter to Jeremy Heywood (HM Treasury) in view of Señor Aspe's call on the Chancellor.

Yours ever,

Stephen Smith.

(J S Smith)
Private Secretary

J S Wall Esq
10 Downing Street

PRIME MINISTER

VISIT OF PRESIDENT SALINAS OF MEXICO

You are having an hour of talks with President Salinas of Mexico on Monday and then giving him dinner later in the evening. He is on a tour of Europe which also takes him to France, Spain and Hungary.

During his visit President Salinas is having lunch with The Queen, lunch with the Corporation of the City of London, meetings with the CBI and British businessmen and meetings with the Trade and Industry Secretary and the Foreign Secretary.

The brief is overlong and I suggest you concentrate on the points to make and dip into the background as necessary.

You may also want to glance at the speaking notes for the dinner. If you would like these to be put in speech form I will gladly do so. Otherwise I will get them typed up on card.

(J.S. WALL)

17 July 1992

c:\foreign\salinas (ecl)

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

17 July 1992

Thank you for your letter of 2 July about President Salinas. I was glad of the warning about President Salinas' interests and have made sure that these are covered in the brief.

J.S. Wall

Sir Crispin Tickell, GCMG, KCVO.

es Jun

GREEN COLLEGE
WOODSTOCK ROAD
OXFORD OX2 6HG
Telephone (0865) 274770
Fax (0865) 274796

2 July 1992

R417

From the Warden:
Sir Crispin Tickell GCMG KCVO
Secretary: (0865) 274775

Dear Stephen,

Forgive a handwritten letter but I am miles away from anyone who can type.

President Salinas of Mexico will shortly be descending on us. I know him fairly well, and commend him as an honest, original and courageous man, who has turned his country round. I want to see him later this year for a talk on environmental issues. No President faces worse ones: Mexico City is the dirtiest as well as largest town in the world. Salinas was already well informed, but wanted to be better informed.

he had a discussion of real content on climatic questions, and this led to fruitful correspondence between us. He has a particular interest in bio-diversity, and has launched his own initiative on the subject. When he sees the Prime Minister, he may well raise the issue, and hope to hear more about the Darwin initiative.

I expect your official briefing will cover these points, but I think you will need particular detail on his bio diversity interests. Please let me know if there is anything I can do to help. I am in an airport on my way back from visiting the Piper B North Sea oil rig. It makes Antarctica feel very far away.

Yours ever

Tim

SEPC.

BANK OF ENGLAND
LONDON EC2R 8AH

26 March 1992

S J Wall LVO
Private Secretary to
the Prime Minister
10 Downing Street
London
SW1A 2AA

Dear Stephen

MEXICO: VISIT OF DR CORDOBA

I thought you might be interested to see an account of a recent call on the Governor by Dr Cordoba, Chief of Staff to President Salinas of Mexico, as part of the preparation for President Salinas' official visit in July. The Governor told Dr Cordoba that we would be happy to receive President Salinas in the Bank and would be prepared to arrange a programme on the same lines as in 1990 (which included the President addressing a gathering of bankers in the Bank). The Mexican Ambassador, Sr Sepulveda, who was also present at the meeting, agreed to contact us again when arrangements for the visit were a little firmer.

Dr Cordoba reported on developments in the Mexican economy, saying that the authorities are still hoping for single-digit inflation this year: they see the trend in January-March as consistent with a rate of 10-12%. Wage developments are favourable: contracts signed so far this year have been for 10-12%, well below last year's levels. Fiscal policy remains very tight: they are aiming for an overall surplus of 1% of GDP before privatisations. The public debt (internal and external) is now down to 35% of GDP.

The authorities are watching the current account carefully. Even though it is not of particular concern at the moment, they would not want to see a continuing increase in the deficit. However, comfort is taken from the fact that, in contrast to the past, it is now a private sector phenomenon and therefore self-limiting; if the private sector runs a continuing net financial deficit, balance sheet considerations will eventually force a correction, whereas there is no such corrective mechanism if the government does so. Capital inflows have been growing even more strongly this year.

Dr Cordoba said that the debt position of the private sector was being closely monitored. In the past, international bankers had gone to Mexico to persuade the public sector to take on loans. Now the same people were going to persuade private firms to issue bonds and equities, and the authorities are concerned to ensure that the creditworthiness of the Mexican private sector is not hurt in the process.

On the NAFTA negotiations, Dr Cordoba expected to see a final text by July or August, though whether it would receive the approval of the US Congress this year was still uncertain. Cars were a particularly difficult area, cross border tariffs being low but the issue being complicated by US fuel economy rules. On banking, Mexico had agreed to give national treatment to US banks, but within an overall ceiling of 12-15% on the foreign share of the sector's total capital at the end of the 10-year transition period. Dr Cordoba claimed that the US was insisting that only American majority owned banks should receive this national treatment. This worried the Mexicans because their financial relations are currently more diversified than their trade and they do not want to become more dependent on the US. However, Mexico will agree to US demands on financial services in exchange for concessions elsewhere. Dr Cordoba added that they would hope to be able to make some sort of arrangement for European and Japanese banks in the future.

I am copying this letter to Jeremy Heywood (HMT) and Richard Gozney (FCO).

Yours

P M W Tucker
Private Secretary
to the Governor

00378 Copy

R 13/3

EMBAJADA DE MEXICO
LONDRES

London, 11th March, 1992.

The Rt. Hon. John Major
Prime Minister
10 Downing Street
London, S.W.1.

1/a Bilateral

Dear Prime Minister,

dated 19.2.92

I am enclosing a letter and its Informal Translation, I have received for you from The President of Mexico, Señor Carlos Salinas de Gortari.

Yours faithfully,

B. Sepúlveda

Bernardo Sepúlveda,
Ambassador.

Encls.

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

11 March 1992

Dear Simon,

VISIT BY PRESIDENT SALINAS OF MEXICO: 20-22 JULY

Thank you for your letter of 10 March. We have gone firm for dinner for President Salinas on 20 July preceded by an hour of talks.

Yours,

J. S. WALL

Simon Gass, Esq.,
Foreign and Commonwealth Office

CCPE
VSG

Foreign &
Commonwealth
Office

London SW1A 2AH

10 March 1992

Dear Stephen,

Visit by President Salinas of Mexico, 20 - 22 July

In your letter of 17 January to David Melville at the DTI, you said that the Prime Minister could offer either a dinner for President Salinas on 20 July or lunch on 22 July.

We now understand that the President will leave early on 22 July, so a lunch is ruled out. I hope therefore that we can go firm on dinner for 20 July, preceded perhaps by an hour of talks.

Yours ever,

(S L Gass)
Private Secretary

Stephen Wall Esq
10 Downing Street

Mexico : Relations PZ

00379

INFORMAL TRANSLATION

Los Pinos, D.F., 19th February, 1992.

The Rt. Hon. John Major
Prime Minister
10 Downing Street
London, S.W.1.

Dear Prine Minister,

I am very happy to inform you that I accept your kind invitation to - visit Great Britain in the course of the year.

I think that it is of extreme importance to continue and enlarge the communication between our Governments, on themes of bilateral interest on recent events in the international scene.

Our Meeting will strengthen the friendship and co-operation between - the United Kingdom and Mexico and I would therefore suggest to contemplate my official visit to London on the 19th, 20th and 21st July, 1992.

In expectation to convey personally to you during our meeting the friendship of the Mexican people, I send you my best wishes.

Carlos Salinas de Gortari,
President of the United Mexican States.

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T.54/111/92

SUBJECT
MASTER
OPS
FILED ON:

CARLOS SALINAS DE GORTARI
PRESIDENTE CONSTITUCIONAL DE LOS ESTADOS
UNIDOS MEXICANOS

Los Pinos, D.F. a 19 de febrero de 1992.

SEÑOR JOHN MAJOR
Primer Ministro del Reino Unido
de la Gran Bretaña e Irlanda del Norte

Excelentísimo señor Primer Ministro:

Me es muy grato dirigirle estas líneas y participarle mi propósito de aceptar su gentil invitación para visitar ese país durante el presente año.

Considero de gran importancia continuar y ampliar el diálogo entre nuestros gobiernos, tanto en los temas de interés bilateral como respecto a los recientes acontecimientos en el ámbito internacional.
Ello fortalecerá las relaciones de amistad y cooperación que unen a México y al Reino Unido. Para estos propósitos sería conveniente concertar una visita oficial a la capital del Reino Unido, los próximos días 19, 20 y 21 del mes de julio.

En espera de expresarle personalmente, en nuestro próximo encuentro, los deseos de amistad del pueblo mexicano, envío a usted un cordial saludo.

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T23/92

fra MJ

(c: Gortari)

SUBJECT
CC DTI
MASTER
FCO
DES
OPS
FILED ON:

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

17 January 1992

Dear Mr. President,

I am writing to invite you to the United Kingdom in 1992 as a guest of Her Majesty's Government.

I understand that you expect to attend the Ibero-American Summit in Spain on 23-24 July and I should like to suggest, therefore, that you visit the United Kingdom from 20-22 July. I very much hope that you will be able to accept.

Yours sincerely,

John Major

His Excellency Lic Carlos Salinas de Gortari

JM.

fcie dts
c:\foreign\salinas)

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

17 January 1992

Dear David,

Please refer to Simon Gass' letter to me of 10 January.

The Prime Minister has agreed to invite President Salinas to London. I enclose the Prime Minister's letter. The Prime Minister would be grateful if Mr Lilley could deliver it during his visit.

The FCO may wish to note that the Prime Minister could give either a dinner for the President on 20 July or lunch on 22 July.

I am copying this letter to Christopher Prentice (Foreign and Commonwealth Office).

Yours,
Stephen

J. S. WALL

David Melville, Esq.
Department of Trade and Industry

dts.

PRIME MINISTER

VISIT OF THE PRESIDENT OF MEXICO

The Royal Visits Committee have recommended that President Salinas of Mexico should be invited for a Guest of Government visit in 1992. The proposed dates are 20-22 July.

They are also clear in your diary. You would need to have a talk with the President and offer a meal. You could give dinner on 20 July or a lunch on 22 July.

If you are content, perhaps you could sign the attached letter to President Salinas. Mr. Lilley will deliver it in person to the President during his forthcoming visit to Mexico.

TEMPORARILY RETAINED

THIS IS A COPY. THE ORIGINAL IS RETAINED UNDER SECTION 3 (4) OF THE PUBLIC RECORDS ACT.

Stephen

(J.S. WALL)

16 January 1992

c:\foreign\mexico (ecl)

Foreign &
Commonwealth
Office

London SW1A 2AH

10 January 1992

Dear Stephen,

Guest of Government Visit by President Salinas of Mexico

The Royal Visits Committee have recommended that President Salinas of Mexico should be invited for a Guest of Government visit in 1992. The Foreign Secretary agrees with the recommendation.

The decision by the Mexican Government to negotiate a Free Trade Agreement with the US and Canada is of considerable economic and political significance. It represents an historic reorientation of Mexican policy. Other Latin American countries, Venezuela and Chile, are interested in following Mexico's example. Mexico offers us growing opportunities.

Such a visit would significantly promote our interests in Mexico. Bilateral relations have traditionally been good but hitherto lacking political substance. In a region where such things matter, we are falling behind others in our high-level exchanges with the Mexicans. Most important of all, a visit by the President will better place us to take advantage of the prospects offered by the rapidly improving Mexican economy.

The Mexicans have indicated their hope that President Salinas might be invited to visit the UK this year, perhaps en route to or from the Ibero-American Summit in Spain, which will be held on 23/24 July. Indeed, President Salinas said that he would like to come when he saw the Education Secretary on 8 January. Informal soundings reveal that 20-22 July would suit the key participants, including Her Majesty The Queen (who could host a lunch on 21 July). We understand that the Prime Minister's diary is free for this period - our EC Presidency will have just started but there are at present no Presidency commitments for the Prime Minister in the second half of that month. If the Prime Minister agrees, we suggest that he should now issue the formal invitation to President Salinas for the visit to take place in July 1992. I enclose a draft.

/We

We recognise, of course, that July will be a difficult month. If the Prime Minister cannot manage that, it would be helpful if we could at least ask President Salinas to come this year, and work out the dates afterwards.

I am copying this letter to Martin Stanley (DTI) and Christina Bienkowska (DES).

Yours ever,

(S L Gass)
Private Secretary

Stephen Wall Esq CMG LVO
10 Downing Street

Draft letter from the Prime Minister

TO: The President of Mexico

I am writing to invite you to the United Kingdom in 1992 as a guest of Her Majesty's Government.

I understand that you expect to attend the Ibero-American Summit in Spain on 23-24 July and I should like to suggest, therefore, that you visit the United Kingdom from 20-22 July. I very much hope that you will be able to accept.

Stephen
Stock I assume a moral
will for interesting. PM
could offer:
Mon 20 July - dinner
Wed 22 July
lunch at 1.00 pm
(would separate
talks be a must?)

Foreign &
Commonwealth
Office

London SW1A 2AH

10 January 1992

Dear Stephen,

S'ly, letter to PM

Guest of Government Visit by President Salinas of Mexico

The Royal Visits Committee have recommended that President Salinas of Mexico should be invited for a Guest of Government visit in 1992. The Foreign Secretary agrees with the recommendation.

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Yours ever,

(S L Gass)
Private Secretary

Stephen Wall Esq CMG LVO
10 Downing Street

Draft letter from the Prime Minister

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CONFIDENTIAL

File D4

bc: PC

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

27 February 1990

Dear Rob,

MEXICO

The Mexican Ambassador came to see me today to talk about a follow-up to the visit of President Salinas.

The Ambassador said that President Salinas had been very well satisfied with this visit and was anxious to see momentum from it maintained. To this end, he had a number of practical suggestions to make, some of which were already being pursued with Departments:

- A Trade and Investment Mission, to be headed by Mr Sainsbury, in April. He hoped this would achieve high level representation from British firms. It was rather sad that no major British company was now actively present in Mexico (Blue Circle had been recently sold to Mexican interests).

- He hoped that British oil companies would follow-up their interest. President Salinas had apparently spoken to Mr Robin Horton of BP about this.

- President Salinas had been disappointed to be told by Sir Colin Marshall that there was no prospect of British Airways opening a service to Mexico before the end of 1991. The Mexican authorities would be doing their best, over the coming months, to persuade British Airways to bring forward this date. He hoped that we would do likewise. British Airways' decision to reopen its route to Buenos Aires had only rubbed salt in the wound.

- He very much hoped the Foreign Secretary would be able to pay an early visit to Mexico, possibly at the time of the Economic Summit in Houston. He also mentioned the possibility of a meeting between the Foreign Secretary and the Mexican Foreign Minister in Dublin in early April (I did not quite follow this).

- Looking to the longer term, he wondered whether there was a possibility of the Prime Minister visiting Latin America in 1991. I said this was certainly something in her mind but we were a long way from reaching decisions.

CONFIDENTIAL

I imagine these points are all familiar to the Department. I simply said that I knew the Prime Minister shared President Salinas' wish to build on the visit to make our relations more vigorous. If there is anything further you would wish me to say to the Ambassador on these points, please let me know.

C. D. POWELL

R. N. Peirce, Esq.
Foreign and Commonwealth Office

EMBAJADA DE MEXICO

CDP
19/3

London, 8th. February, 1990.

Mr. Charles Powell Esq.,
Private Secretary to the
Prime Minister,
10 Downing Street,
London, SW1.

Dear Mr. Powell:

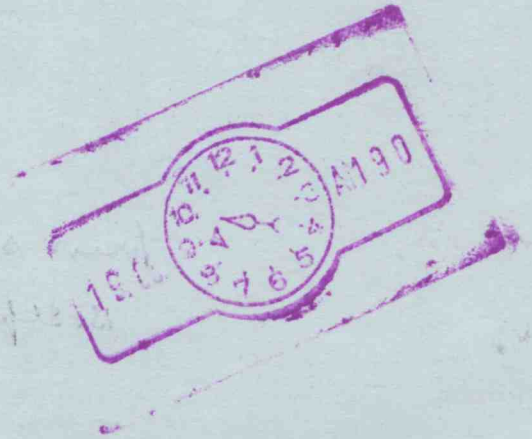
I should be very grateful if you could transmit the enclosed letter from President Salinas de Gortari, to the Prime Minister Mrs. Margaret Thatcher.

With many thanks,

Yours sincerely,

B. Sepúlveda

Bernardo Sepúlveda,
Ambassador.



PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T23b(iii)/90

SUBJECT cc MASTER
OPS

(2)

Prime Minister
CDP 19/3

Palacio Nacional, 8th. February, 1990.

Dear Prime Minister,

I should like to express my sincere thanks for the courtesies extended to me by you and by the British Government during my recent visit to your country. It was particularly satisfactory to be able to continue our conversations, so interesting and valuable for me.

I wish to reiterate my belief that the British-Mexican relations can enter a new era, with an increase in British investment in Mexico and the import of our products to Great Britain. This can contribute to translate the continuity of our domestic policies into tangible benefits for the majority of the Mexican people. Thus we appreciate your Government's encouragement to the visit of a high-level British business group, which members may wish to take part in the development of Mexico.

It is a very positive sign that, during this visit, we have agreed to an increased cooperation between the two nations in financial matters and in the fight against international drug trafficking. In this way, our relations get stronger and the friendship between our peoples deepens.

I should also wish to make a special emphasis in the invitation for you to visit Mexico. It would certainly have an important meaning for us and would fortify the existing friendship between our countries.

I avail myself of this opportunity to renew to you, Prime Minister, the assurances of my highest and most distinguished consideration.

(Signed)
Carlos Salinas de Gortari,
President of Mexico.

The Rt. Hon. Margaret Thatcher,
Prime Minister,
London.

CARLOS SALINAS DE GORTARI
PRESIDENTE CONSTITUCIONAL DE LOS ESTADOS UNIDOS MEXICANOS

Palacio Nacional, 8 de febrero de 1990.

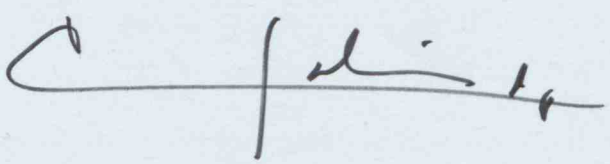
Distinguida señora Primer Ministro:

Es muy grato expresarle mi agradecimiento por las finas atenciones que me brindó el Gobierno Británico durante mi reciente visita a su país. En especial, fue una gran satisfacción continuar nuestras conversaciones, tan estimadas como interesantes para mí.

Deseo reafirmarle por este medio mi convicción de que las relaciones británico-mexicanas pueden vivir una etapa renovada, con un incremento de las inversiones inglesas en México y de la exportación de nuestros productos en Gran Bretaña. Ello puede contribuir a que la permanencia de nuestras políticas internas se traduzca más rápidamente en beneficios tangibles para la mayoría de los mexicanos. Por ello, vemos con aprecio el aliento de su gobierno a la visita de un grupo empresarial británico de alto nivel, que pueda participar en el desarrollo de México.

Es un hecho muy positivo que, durante esta visita, hayamos acordado elevar la colaboración entre las dos naciones, en los asuntos de financiamiento y de combate contra el narcotráfico internacional. Con ello, nuestras relaciones se fortalecen y, también, se estrecha la amistad de nuestros pueblos.

Deseo hacer un especial hincapié en la invitación para que visite México, lo cual tendría un importante significado para nosotros y estrecharía los lazos de amistad existentes entre nuestros dos países. Aprovecho esta oportunidad, señora Primer Ministro, para reiterarle por este conducto las seguridades de mi más alta y distinguida consideración.



Excelentísima señora
Margaret Thatcher
Primer Ministro del
Reino Unido de la Gran Bretaña
e Irlanda del Norte.

K22/2

EMBAJADA DE MEXICO

London, 2nd February, 1990.

22/2

Mr. Charles Powell
Private Secretary to the
Prime Minister
10 Downing Street
London, S.W.1.

Dear Mr. Powell

I am writing to thank you most sincerely for helping to make the President of Mexico's visit such a - memorable occasion.

Your good advice and support played no small part in the success of the President's visit here.

My most appreciative thanks for your kind assistance.

Yours sincerely,

B. Sepúlveda

Bernardo Sepúlveda,
Ambassador.

as from British embassy, Mexico city

Foreign and Commonwealth Office

London SW1A 2AH (2)

30 January 1990

Dear Prime Minister

May I, on behalf of my wife and myself, thank you and Mr Thatcher very much for having included us in your dinner party for President Salinas last night. The whole Mexican visit seems to have gone very well but of course

his meeting with you yesterday afternoon, and then the dinner, were the high lights. We shall now get down to following up the splendid boost you have given to British interests in Mexico

yours sincerely

Michael Simpson-Orlebar

RESTRICTED

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

30 January 1990

MEXICO

I should record that, after dinner last night, President Salinas invited the Prime Minister to visit Mexico. The Prime Minister said that she would in principle much like to do so, possibly in conjunction with a visit to the United States. You will wish to bear this in mind.

C. D. POWELL

R.N. Peirce, Esq.,
Foreign and Commonwealth Office.

RESTRICTED

as for British embassy Mexico

Foreign and Commonwealth Office
London SW1A 2AH

R30/1

30 January 1990

Dear Charles

This is just to say how much I appreciated being at the Prime Minister's meeting with President Salinas yesterday, and how much Rosita and I enjoyed the splendid dinner in the evening. The whole visit seems to have gone off pretty well and won new friends for Mexico. Now for the follow up! Of course nothing could do us more good than a visit one day by the

Prime Minister, for which I'll hope to enlist the support of the Office! Meanwhile I'll be asking them and the DTI if we could organize an 'investment' mission, perhaps in early summer - the Prime Minister's support for beefing up our investment in Mexico was much appreciated by Salinas and should ensure a high level reception. With best wishes and many thanks again

yours ever

Michael

CONFIDENTIAL

FILE KK

C/Foreign/Salinas

SUBJECT CC MASTER

bc PC

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

29 January 1990

Dear Richard.

PRIME MINISTER'S MEETING WITH PRESIDENT SALINAS OF MEXICO

The Prime Minister had an hour's meeting this afternoon with President Salinas of Mexico, following which she and the President signed two agreements on co-operation against drugs. The President was accompanied at the meeting by the Mexican Foreign Minister, the Mexican Ambassador and by his Private Secretary. HM Ambassador, Mexico City was also present.

Mexican Economy

After welcoming the President, the Prime Minister recalled their meeting in Paris in July last year and congratulated him on the success in getting agreement on Mexico's debt. The President said that the Prime Minister had been a great help in this. The Prime Minister said that President Salinas deserved help: we were all very impressed by the bold policies which he was pursuing and the success he had already achieved in bringing down inflation and in starting on privatisation of some of Mexico's state-owned industries. President Salinas said that some commentators thought that the debt agreement had not been sufficient, but he was satisfied with it. There were already signs of flight capital returning to Mexico. Domestic interest rates had gone down dramatically, which had been a great help over the servicing of debt.

The President continued that Mexico was opening up new fields of its economy for foreign investment and he would be urging British industrialists to invest in Mexico. A trade agreement had been signed with the United States, covering in particular steel and textiles. The Mexican economy had not been strong enough to contemplate establishing a full common market with the United States. But the agreement did mean that he was able to tell investors in Mexico that they could get access to the US market. A similar agreement would be signed with Canada fairly soon. He had also embarked on the process of privatisation, by selling the state-owned airlines. The resources realised from this were being put into a Solidarity Fund to meet pressing social needs. This was helpful politically because it meant people equated privatisation with better

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standards of living and social care. He was now moving on to privatise the telephone system, and Mexico was in discussion with British Telecom among others. It was unprecedented that the proposed privatisation in this sector had been unanimously agreed by the trade unions.

The President continued that, as a result of his policies, the public sector deficit had been reduced to one per cent of GDP, the lowest for a quarter of a century. The Prime Minister commented that this was a remarkable achievement. Perhaps Mexico should teach the United States how to do it. She understood that the agricultural sector still presented difficulties. President Salinas confirmed this: agriculture imports amounted to some 10 million tonnes a year. His aim was to get a better organisation for agriculture, and Mexico had recently been granted a substantial loan by the World Bank for structural reform. His other big problem was education. Mexico had some 700,000 teachers and nearly 25 million children of school age. The cost of modernising the education sector would be some $10 million.

Investment

President Salinas said that he had a further request for help to put to the Prime Minister, and that was to encourage British business to invest in Mexico. The Prime Minister said she would be happy to do that. We were at present the third largest investor there, but a long way behind the first two. She thought President Salinas' policies would be a great encouragement to investors. She was sure his address to the CBI would be very helpful in this respect.

The Prime Minister continued that she understood that BP might be interested in investing in Mexico's oil industry. President Salinas was somewhat reticent about this. Oil was a very touchy issue in Mexico and the industry would have to remain in Government hands, although there was scope for private investment in new refineries, and the government was planning to sell off gas stations. The Prime Minister asked whether it would not be possible for companies like BP to be active in the oil sector without calling into question national ownership. The President said nothing to suggest that this would be welcome.

Drugs

The Prime Minister complimented President Salinas on the very firm action which he had taken against drugs and drug traffickers. President Salinas commented that the Government had been hitting the traffickers hard where it hurt: their pockets and their freedom. He was worried about the activities of drug traffickers in Belize and wondered whether the United Kingdom would be prepared to use its forces there to deal with the problem. The Prime Minister indicated that our forces were not there to do internal policing, but to protect Belize from the external threat from Guatemala.

East/West Relations

President Salinas said there was some concern in Latin

America that Western Europe would concentrate its aid and cooperation exclusively on Eastern Europe and neglect other parts of the world. The Prime Minister said she was aware of this concern. It was felt not only in Latin America: for instance some of the poorer countries in the Community were no less worried about it. The European Community could not ignore its responsibilities in Eastern Europe. But she could assure the President that we would not forget the other side of the world. She had long felt that we needed to build up our relations with Latin America.

The President asked the Prime Minister for her assessment of Mr. Gorbachev's prospects. The Prime Minister said that she hoped he would get through and believed that he probably would do so.

Latin America

In a brief discussion on Central America, the Prime Minister expressed misgivings about the situation in Nicaragua and the extent to which the elections there would be genuinely free and fair.

It was a thoroughly amiable meeting, though without a great deal of substance. The Prime Minister continues to have a very high regard for President Salinas.

I am copying this letter to John Gieve (HM Treasury), Neil Thornton (Department of Trade and Industry), and Myles Wickstead (Overseas Development Administration).

Yours ever,

(C. D. POWELL)

Richard Gozney, Esq.,
Foreign and Commonwealth Office.

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

Welcome. 1981 to Mexico - de la Madrid
de Cordoba
(retired diplomat)

Paris - deep. prin. Ro. Inv. debt.
Results

Slate of Nobel Prize -
Success needed for others

Drugs. Film school. 2 agreements
1st with Latin America

British Honduras. - Needs at bay
CARICOM. Valley of Mexico
- helped build railways

Drug trading - combat from
Increase investment.

Mr Britain - Latin America
Democracy - Lic. problems medic
Colombia -
Bolivia - normal relations

Encourage - extend relationship
with Latin America
start with Mexico

—

Thanks - visit.

Salute visa - recip.

Full support in politics - increase civil
support practical terms

You visit sign / Mexico's practical role
+ role in world affairs.

Toast Health
Prosperity, friendship
close relations

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

Thankyou for visit.

Salute your vision + realism

You have our full support in policies
- I hope our mutual visit helps opportunities
You visit a sign of Jersey's growth
role in world affairs

Toast to the President -

Prosperity + friendship for our
people

Live close relationship between
Countries

(3)

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

Drugs

Congratulate you on Joint action
ag. drugs + trafficking

2 agreements

Further Law signed with Latin America
Country

Agreed step forward

Britain + Mexico

Remarkable history — culture

C. Br. Involved at various stages

You will perhaps like to keep Sir Francis
Drake + his ships at bay

Then - welcomed us in - LENGINEERS - CANAL

(4)

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

which drained the valley of Mexico
and helped build some of your
railways

This century contains fewer
charges with gross visits.
3rd largest investor - but gap between
1st 2 - 3rd - Loss big.
Increased trade + investment.

MEXICO - country whose vote
cannot weight in Int'l affairs
~~not really - but significantly~~
behaviour that will increase

(S)

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

Britain + Latin America

A lot happened

Democracy spread more widely

Realistic approach to economic problems

Colombia - fearlessly take on drug producers

Slowly returning to normal relations with Argentina

Encourages us to extend our relations with Latin America - and give them more substance over again

No better place to start than Mexico.

(2)

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

Read Fair statement in the National Report at end of last year.

Sums up exactly our experience - both our countries have learned the lesson

By giving people back the power to run their own lives - create prosperity which brings higher standard of social services

Hope your success will be a model for others in Latin America

(1)

President - Salinas

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

Welcome - Very busy visit.

Own brief visit to Mexico 1981
- country with a great potential

Recall President de la Madrid
integrity + dedication
appealing natural charisma

Fruit mel. in Paris July 14th
celebrations
Deregulation, Privatisation. Encouraging
For. Investment - dealing with
Mexico's debt.

Bold plans - vigorously carried out
Results already achieved

PRIME MINISTER

MEETING WITH PRESIDENT SALINAS OF MEXICO

You are to have an hour's meeting with President Salinas on Monday afternoon, after which you will sign two agreements on co-operation against drugs. You are giving dinner in his honour on Monday evening.

Salinas is visiting a number of European countries and spending only a short time in the UK, mostly at the week-end. He is visiting Cambridge, meeting businessmen at a Conference organised by the CBI, giving interviews to the Financial Times and the Economist, attending a lunch given by the Bank of England and going to a meeting organised by Hugh Thomas at the House of Lords.

Salinas has done pretty well, but is far from being out of trouble. Mexico's trade balance is deteriorating: agriculture is a disaster: the debt agreement has not produced as substantial a benefit as he had hoped: and there is growing labour unrest. The prospects ahead are for continuing austerity and no let up. In the face of this, he has shown admirable determination, in pressing ahead with privatisation and with opening up the Mexican economy to investment from outside. He has also conducted a major crackdown on drugs. His relations with the US are quite good, but have suffered a bit as a result of the invasion of Panama.

Relations with us are good but not very substantial. The Mexicans are unhappy that British Airways will not institute direct flights to Mexico City (although Air Europe have applied for a licence). The Sicartsa project, which you signed in 1982, never got off the ground. ECGD support for trade with Mexico is limited. But there are new and interesting possibilities for involving BP in oil exploration (the Mexicans have hitherto been very sticky about allowing any foreign companies into their oil business).

You might start by recalling your meeting last July, congratulating him on the resolve he has shown in handling

Mexico's economic problems and compliment him particularly on his firm action against drugs. The two drug aspects which you will be signing at the end of the meeting are the first with Latin America countries and thus an important landmark.

You should then ask him to give you an account of the Mexican economy and how he sees the prospects. We are keen to see levels of trade and investment increased. In particular, you wonder whether there would be scope for British investment in Mexico's oil industry. British companies have plenty of relevant experience from their North Sea operations. We are also very keen to see the negotiations on further supply of education equipment by Darwin Instruments successfully completed.

You might then tell him how you see developments in Europe and in East/West relations. The Mexicans are worried on two counts. They fear that 1992 will mean new barriers against trade into the outside world: and they are worried that concentration of EC resources on aid to Eastern Europe will reduce our capacity and readiness to help Latin America.

You will find in the folder:

- a fuller brief from the FCO
- a scene-setting telegram from our Ambassador
- a separate note on the signing ceremony for the two drug agreements
- a revised speech for the dinner
- a note of your last meeting.

You might ask his assessment on the likely policies of the new President in Brazil (whom you are seeing shortly) as well as of the prospects in Argentina (with whom we resume negotiations in early February). I would keep off Panama, on which we shall only disagree.

C.D.P.

C. D. POWELL

26 January 1990

cq/c

Foreign and Commonwealth Office

London SW1A 2AH

26 January 1990

Dear Charles

Rt Hon
CBE.

Signature of the UK/Mexico Drug Cooperation Agreements

I wrote to you on 24 January about the call by President Salinas on the Prime Minister at 1500 hrs on 29 January. At the end of that call at about 1600 hrs the Prime Minister and President Salinas are to sign two bilateral drug agreements. The background is as follows.

We first approached the Mexicans about a bilateral agreement to trace, freeze and confiscate the proceeds of drug trafficking. The Mexicans suggested a further general agreement covering cooperation on all drugs issues. Both texts have now been agreed.

The general agreement reflects elements of cooperation included in the 1988 UN Convention on Illicit Drug Trafficking, in particular measures to reduce demand, eradicate illicit cultivations and exchange information.

The agreement to trace, freeze and confiscate the proceeds of drug trafficking represents a particularly important breakthrough. We have now concluded bilateral agreements with 12 countries since the introduction of the 1986 Drug Trafficking Offences Act. This will be the first agreement signed with a major drug producer and the first with a Latin American Country. The Prime Minister signed the agreements with Canada and Australia in 1988 and with Malaysia in the margins of last year's CHOGM. The others are with the USA, Bahamas, Bermuda, Switzerland, Spain, Anguilla, Nigeria, Gibraltar and Sweden.

The only agreement which has so far entered into force is that with the United States, under which requests for assistance have already been processed. The Home Office are preparing an Order In Council which will bring the other agreements into force during the course of this year. Mexico will be included in that designation Order.

In her remarks the signing ceremony the Prime Minister could draw on the following points:

i) drug trafficking represents a threat to individuals, to society generally and to the democratic process;

ii) these two agreements demonstrate the determination of the UK and Mexico to work together to stamp out the menace of drug trafficking and to ensure that the drug trafficker can find no safe haven for his money;

iii) the agreements commit us to cooperate in tracing, freezing and confiscating the proceeds of drug trafficking. Mexico is the thirteenth country with which we have concluded reciprocal arrangements for such cooperation and the first in Latin America;

iv) the World Ministerial Summit to reduce demand for drugs and combat the cocaine threat, which we have arranged for April in London, indicates the importance we attach to international cooperation on drugs. We hope it will identify scope for further cooperation.

/ I enclose a note on procedure for the signing. Our treaty experts will be in touch directly on practical arrangements for the ceremony. We suggest that Mr Sainsbury should also attend the ceremony.

I am copying this letter to Peter Storr (Home Office).

Yours ever

(R N Peirce)
Private Secretary

C D Powell Esq
10 Downing Street

PROCEDURE AT SIGNING CEREMONY AT NO.10 DOWNING STREET ON MONDAY 29 JANUARY AT 4.00 PM

1. There are two agreements to be signed in duplicate each consits of one UK copy (English and Spanish version) and one Mexican copy (Spanish and English version). The agreements will be signed in the following order:

(a) Bilateral Co-operation in the fight against illicit Traffic in and abuse of Narcotic Drugs and Psychotropic Substances.

(b) Mutual Assistance in Relation to Drug Trafficking.

2. The Prime Minister will sit at the signature table with the President of Mexico seated on her right.

3. Each agreement will be signed in turn, as follows:

(a) the Prime Minister will sign the UK copy of the first agreement at the same time as the Mexican President signs the Mexican copy;

(b) the two copies are then exchanged behind the Prime Minister and President;

(c) the Prime Minister then signs the Mexican copy while the Mexican President signs the UK one;

The same procedure is repeated for the second agreement.

4. When both agreements have been signed the Prime Minister will have by her side the two Mexican copies and the President the two UK copies. The Prime Minister and the President will then stand, shake hands and exchange copies as a symbolic gesture.

5. Speech by Prime Minister.

6. Speech by Mexican President.

7. Toast.

8. Conclusion of ceremony.

9. Two members of the FCO's Nationality and Treaty Department will be present to assist at the signature ceremony.

Foreign and Commonwealth Office

London SW1A 2AH

26 January 1990

cm

Dear Charles

Visit of President Salinas

In your letter of 24 January, you asked for comments on the text of the Prime Minister's speech at the dinner in honour of President Salinas.

We have two suggestions:

- on pages 2 and 3 there are references to earthquakes. As you know, since the Prime Minister's visit to Mexico, there was a very serious earthquake in Mexico City which caused many deaths. There was prolonged and bitter controversy in Mexico about responsibilities for the collapse of so many buildings etc. Against this background, the references to earthquakes could strike a jarring note with some of the Mexicans present;

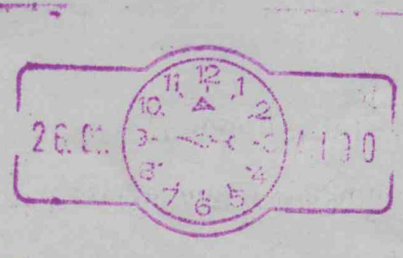
- on page 7 the phrase "Central and Latin America as a whole" could be taken to imply that Mexico is in Central America (the Mexicans consider their country to be in North America). We suggest omitting "Central and".

Yours ever

Bobby

(R N Peirce)
Private Secretary

C D Powell Esq
10 Downing Street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MY TELNO 21 (NOT TO ALL) : PRESIDENT SALINAS' EUROPEAN TOUR

SUMMARY

1. DEPUTY MINISTER MFA ON MEXICO'S INCREASING INTEREST IN EUROPE. PREPARING FOR 1992. IN BRUSSELS, SALINAS WILL PROPOSE A ''THIRD GENERATION'' AGREEMENT. NEW INTEREST IN ESTERN EUROPE : SALINAS WILL MEET FOUR COUNTRIES' LEADERS. IMPORTANCE OF UK LEG. WITH DEBT AGREEMENT CONCLUDED, SALINAS SEEKS MEXICO'S RETURN TO THE FINANCIAL COMMUNITY.

DETAIL

2. THIS MORNING I TOOK SIR W HARDING (EX FCO, NOW INTERNATIONAL ADVISER TO LLOYDS BANK) TO CALL ON ANDRES ROZENTAL (DEPUTY MINISTER, IN CHARGE OF MFA IN SOLANA'S ABSENCE IN OTTAWA). ROZENTAL EXPLAINED MEXICO'S INCREASING INTEREST IN EUROPE IN SIMIAR TERMS TO CORDOBA IN TUR. SHE WANTED TO DEVELOP HER LINKS BOTH WITH THE EC AND WITH THE PACIFIC RIM COUNTRIES, TO LESSEN HER DEPENDENCE ON THE US. 1992 WAS SEEN AS AN OPPORTUNITY, NOT A THREAT. STEPS WERE ALREADY BEING TAKEN TO PENETRATE THE EC MARKET, THROUGH THE DEVELOPMENT OF FINANCIAL SERVICES AS WELL AS TRADE : THE BIGGEST MEXICAN BANK HAD ACQUIRED A BANK IN LUXEMBOURG, WHILE THIS MONTH'S CREDIT AGREEMENT WITH SPAIN (MY TELNO 34, NOT TO ALL) COULD APPLY TO JOINT VENTURES WITHIN THAT COUNTRY AS WELL AS IN MEXICO.

3. AGAINST THIS BACKGROUND, DURING HIS MEETINGS WITH THE COMMISSION IN BRUSSELS, PRESIDENT SALINAS WOULD PROPOSE A ''THIRD GENERATION'' AGREEMENT BETWEEN MEXICO AND THE EC, SOME 15 YEARS ON FROM THE FIRST AGREEMENT. THIS WAS NEEDED, BOTH TO FROMALISE THE MANY

LINKS ALREADY ESTABLISHED AND TO ''INSERT'' MEXICO INTO THE EC SCHEME OF THINGS BEYOND 1992, INCLUDING :-
- SERVICES,
- TRADE, WITH THE POSSIBILITY OF CONCESSIONS WITHIN THE FRAMEWORK OF GATT,
- FINANCE AND BETTER MACHINERY FOR INVESTMENT, CARRYING ON FROM THE MATUTES VISIT TO MEXICO LAST AUTUMN.

4. THE MEXICANS WERE ALSO ALERT TO DEVELOPMENTS IN EASTERN EUROPE, WHERE THEY SAW OPPORTUNITIES FOR COLLABORATION WITH SELECTED COUNTRIES WHO COULD BENEFIT FROM THIER MIDDLE LEVEL TECHNOLOGY. FROM THE POLITICAL STAND-POINT, THE ''EUROPEAN HOUSE'' WAS COMING CLOSER TO REALITY. ARRANGEMENTS HAD BEEN MADE FOR SALINAS TO MEET, AT DIFFERENT POINTS IN HIS JOURNEY, HIGH-RANKING REPRESENTATIVES OF EAST GERMANY, CZECHOSLOVAKIA, POLAND AND YUGOSLAVIA.

5. THE MEXICANS ATTACHED THE HIGHEST IMPORTANCE TO THE UK PART OF THE TOUR. ROZENTAL (WHO SERVED IN LONDON FROM 1973-76) THOUGHT THAT BRITISH PERCEPTIONS OF MEXICO MIGHT AT LAST BE CHANGING. THE MEXICANS WISHED PARTICULARLY TO THICKEN THE RELATIONSHIP BECAUSE OF :
- BRITAIN'S HISTORICAL INVOLVEMENT IN MEXICO'S DEVELOPMENT
- SIMILAR ATTITUDES ON THE NEED TO DEFEND OUR INDEPENDENCE, WHILE REMAINING GOOD MEMBERS OF OUR ALLIANCES (HE DREW A PARALLEL BETWEEN MEXICO/US AND UK/EC),
- THE ATTRACTIONS OF SOME BRITISH TECHNOLOGY FOR MEXICO, OUR SIMILAR ECONOMIC POLICIES AND OUR SIMILAREXPERIENCE OF DOING BUSINESS.

6. NONE OF THIS MEANT THAT MEXICO HAD LOST HER CONCERN FOR SOUTH-SOUTH PROBLEMS. ROZENTAL, WHO HOPED THAT THIS GROUPING COULD EVENTUALLY SUSTAIN A DIALOGUE WITH THE G-7.

7. LAST CAME THE DEBT. ROZENTAL SAID MEXICO HAD NOT GOT ALL SHE HAD WANTED FROM THE REDUCTION AGREEMENT, BUT THE ECONOMY WAS BACK ON TRACK. SALINAS AIMED TO RESTORE MEXICO TO HER PLACE IN THE FINANCIAL COMMUNITY : SHE NEEDED ACCESS TO THE COMMERCIAL MONEY MARKET. MORE MONEY WOULD HAVE REPRESENTED A VOTE OF CONFIDENCE, AND THE MEXICANS CONSIDERED THEIRS SHOULD BE RECOGNISED AS A SPECIAL CASE. HARDING DID NOT DISPUTE THIS, BUT POINTED OUT THAT THE COMMERCIAL BAKS COULD NOT IGNORE THEIR MAY SMALL SHAREHOLDERS.

SIMPSON-ORLEBAR

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PRESIDENT SALINAS' VISIT TO EUROPE : MEDIA COMMENT

1. ON THE EVE OF HIS DEPARTURE, PRESIDENT SALINAS' VISIT TO EUROPE IS THE MAIN STORY IN MOST OF THE MEXICAN MEDIA. THE FOCUS HAS BEEN THE POTENTIAL FOR INCREASED TRADE AND INVESTMENT. BUT ANOTHER ANGLE EXPLORED BY MANY HAS BEEN SALINAS' DETERMINATION TO SEE MEXICO PLAY A ROLE ON THE WORLD STAGE, PARTICULARLY AT A TIME WHEN EUROPE IS ATTRACTING MOST ATTENTION.

2. THE PRIME MINISTER'S INTERVIEWS WITH THE MEXICAN MEDIA HAVE RECEIVED EXCELLENT PUBLICITY. EXCELSIOR GAVE THEIR INTERVIEW FRONT PAGE TREATMENT INCLUDING PHOTOS (COPY BY FAX TO MCAD). ECO (TELEVISA'A NEWS STATION) SHOWED 12 MINUTES OF THEIR INTERVIEW DURING A MORNING NEWS BULLETIN EARLIER THIS WEEK. EXCERPTS FROM TRISTAN GAREL-JONES' TELEVISION INTERVIEW HAVE ALSO BEEN SHOWN. THE TONE THROUGHOUT HAS BEEN EXTREMELY POSITIVE. MY OWN INTERVIEWS WITH BOTH TELEVISION COMPANIES (IMEVISION AND TELEVISA) AND THREE NATIONAL DAILY NEWSPAPERS (EL UNIVERSAL, NACIONAL AND THE NEWS) HAVE ALL BEEN USED.

3. EVEN BEFORE THE EVENT, SALINAS' VISIT TO BRITAIN, HIS MEETINGS WITH THE PRIME MINISTER AND HIS VISITS TO OTHER EUROPEAN COUNTRIES HAVE SIGNIFICANTLY RAISED THE PROFILE OF THE UK AND THE EC IN MEXICO.

SIMPSON-ORLEBAR

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cc PC
cc Back Up

Foreign and Commonwealth Office

London SW1A 2AH

24 January 1990

Dear Charles

President of Mexico: Meeting on 29 January

The Prime Minister will meet President Salinas at 1500 on Monday 29 January. I enclose a personality note, the programme for the visit and the Ambassador's scene setting telegram. The President will be accompanied by Sr Solana (Foreign Minister), Sr Sepúlveda (Ambassador) and Sr Cordoba (Special Adviser).

Internal Situation

Attached

Since the Prime Minister met him last July, Salinas has continued to carry out his plans to modernize Mexico's institutions, act against centres of corruption and turn the country from a closed to an open economy. He has embarked on electoral reform and one of the opposition parties (PAN) was permitted to win a state governorship, the first time in Mexico's history. The year saw the seizure of 36 tons of cocaine - more than during the whole six years of the previous administration - and over 11,500 arrests, among them Mexico's largest trafficker.

The honeymoon period may be nearing an end. Last year saw a degree of labour unrest, sometimes leading to violence, and more is expected. There have been instances of anti-government political violence in some provincial centres. But Salinas' position still looks secure. The opposition is inept and his policies represent the best prospect for Mexico to achieve the degree of economic growth it needs to maintain political stability, meet its debt commitments and provide a securer market for exporters and investors.

Salinas has stuck to his policies of economic austerity and restructuring. Inflation is now below 20% (down from 52% in 1988). Growth last year was 3%. A privatisation programme is underway; telecommunications and petroleum are the next major targets. However, Salinas has yet to tackle agriculture, the achilles heel of the economy and the oil industry is suffering from under-investment. The trade

/balance

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balance continues to deteriorate and the year could see serious financing problems. But so far Mexico has met its performance targets under its current IMF programme.

Debt

The agreement reached last July with the commercial banks under the Brady Plan will be signed in Mexico City next month. The 450 banks holding $48 billion of Mexico's debt (half her total debt) have split 49-41-10 on the 3 options available (principal reduction, fixed interest bonds, or new money), with the majority of British banks taking fixed interest. Partly because fewer banks than anticipated have taken the new money option, the net annual benefit to Mexico's debt service bill will be about $2.4 billion, substantially less than the $4.5 billion target. Although it has lifted commercial confidence with some increase in investment and return of flight capital, the agreement will not be the hoped for motor of Mexico's economic recovery.

External

US-Mexico relations improved substantially under Salinas, helped by a personal rapport between the two Presidents and a much more energetic Mexican approach to drugs. They have suffered a set-back over the US intervention in Panama, but the Mexican Government's condemnation was relatively restrained. Mexico is looking increasingly to its Pacific Rim neighbours and to Europe as alternative markets for its exports. But it fears that 1992 may mean a decline in Mexican exports and that developments in Eastern Europe will divert potential traders and investors away from Mexico. Following a recent visit by the King of Spain, with the signature of treaties envisaging a massive increase in aid, trade and investment, Mexico now sees Spain as its principal gateway to Europe.

Bilateral Relations

Anglo-Mexican relations remain good but insubstantial. Mexico is the UK's second largest market in Latin America but our market share at £200 million is only 1%. Direct UK investment in Mexico totals about $1 billion, putting the UK in 3rd position behind the US and Japan. There are now some 200 UK/Mexican joint ventures. British Airways, disappointingly, continue to lack the aircraft capacity to take advantage of the Air Services agreement signed in November 1988 and resume services to Mexico. UK tourism has grown sharply, now running at 50,000 a year. Our aid programme of £1.5 million a year is devoted to scholarships and technical assistance.

/There

THIS IS A COPY. THE ORIGINAL IS RETAINED UNDER SECTION 3 (4) OF THE PUBLIC RECORDS ACT.

There are some major project business opportunities: Darwin Instruments (Educational Equipment), Davy McKee/Klockner (Steel Mill), and GEC Alsthom (Power Station) but the small amount of ECGD DX cover remaining available means that it is not possible to indicate support for all the business. ECGD Medium Term (DX) cover arrangements are currently under review with a recommendation to increase the total ceiling of cover from £150m to £250m. The review has not yet been finalised but the Treasury has agreed to cover for the Darwin project. There is also ECGD cover for several lines of credit from British banks.

The Prime Minister will recall signing in Mexico the 1982 agreement on a contract for a new plate mill for Sicartsa won by Davy McKee, for which HMG provided an ATP grant of £34.94 million, supported by an ECGD loan of £198 million. In the event the project ran into difficulties. The Mexican element was not supplied due to financial problems and the UK supply remains crated on site. Davy McKee and Klockner have signed a new protocol with Sidermex/Sicartsa to resurrect the project in a revised form. But the amounts requiring ECGD support are well beyond the limited amount of cover now available for Mexico. There is not a case for a further injection of aid.

There are indications that important new oil deposits have been discovered in Mexico. The Mexican state monopoly PEMEX probably lacks the resources and technical expertise to exploit them. This offers a potential opening in which BP is interested. Foreign involvement in oil extraction could arouse formidable political opposition. (Since the nationalization of foreign oil companies in the 1930s, exclusive Mexican control of the oil industry has been seen as a token of sovereignty and independence). Constructive ways could be found round these obstacles (eg leaseback). But without President Salinas' personal endorsement no progress will be made. The meeting with the Prime Minister offers an opportunity to enlist such endorsement.

Salinas' objectives for his visit are to cement the relationship with the Prime Minister and to raise the level of trade and investment. The Mexicans have also suggested that his discussion with the Prime Minister might touch on East/West relations, developments in Eastern Europe, European integration, Latin America/Europe relations, debt, drugs and global and Latin American environmental issues.

The Prime Minister may wish to make the following points:

/- We

- We too are keen to see levels of trade and investment raised. We welcome Mexico's liberalization measures on both.

- We wonder if there may be scope for involvement by British companies in Mexico's oil industry, in view of their large capital resources and experience in the North Sea and elsewhere. We recognise the political difficulties. Could a way be found around them?

- The President may be aware of discussions between his Education Ministry and Darwin Instruments for the supply of £50 million of teaching equipment, a follow-up to a previous successful contract worth £37 million. We hope negotiations on this will reach a successful conclusion.

- (If air services are raised.) British Airways continue to have capacity problems, but Air Europe, a UK company, has applied for a licence to fly the Mexico-London route.

- (If the Sicartsa Plate Mill is raised.) Would like to see the project completed and proving to be a joint UK-Mexico success story.

- Any assistance we may give to Eastern Europe will not be at the expense of the developing world.

- The completion of the single European market in 1992 will not mean "Fortress Europe".

- We value the dialogue between EC and the Latin America Group of 8 of which Mexico is a leading member.

- We congratulate Mexico on the conclusion of the debt reduction package under Brady. We hope the benefits will extend beyond debt service relief to help strengthen the economic reform programme, and the prospects for recovery. This was our aim in agreeing last year to provide some official financial support for commercial bank debt reduction.

- (If necessary) The government cannot shape the commercial judgement of our banks. They have all contributed to the recent bridging loan, as well as playing their full part in the Brady debt reduction package.

- We warmly applaud Mexico's achievements against narcotics trafficking. The bilateral agreements between our two countries demonstrate our joint commitment to combatting trafficking. UK's commitment underlined by our co-hosting with the UN of the Summit on Demand Reduction in London in April.

/- We consider

- We consider that climate change is at the top of the environmental agenda and have taken the lead in calling for a framework convention. We hope that Mexico will support this.

- We recognise Mexico's own pollution problems. Interested to know what progress is being made. We have made a modest contribution in provision of equipment (air pollution) and expertise (reforestation). We have also recently agreed to finance a small feasibility study on pollution control in the city of Tula.

- We are delighted to be able to announce a flagship scholarship for study in this country named after President Salinas.

In briefing the press after the meeting you will no doubt refer to the context of President Salinas' efforts to encourage increased trade and investment, and our support for these objectives.

The Prime Minister and President will sign two agreements on drugs at a ceremony after their talks. I shall send you a separate brief for this.

Yours ever

(R N Peirce)
Private Secretary

C D Powell Esq
PS/10 Downing Street

SALINAS DE GORTARI, LIC CARLOS

President of the United Mexican states since 1 December 1988.

Born 3 April 1948 in Mexico City.

Joined the Institutional Revolutionary Party (PRI) at the age of 18. Graduated in Economics from the National Autonomous University of Mexico (1966-69). In 1972, Salinas went to Harvard University for his post-graduate studies: Masters in Public Administration (1973), Masters in Political Economy (1976) and Doctorate in Political Economy (1978).

He worked as an analyst in the Finance Ministry in 1970 and 1974. In 1976 he was Deputy Director of Economic Studies. In 1979 de la Madrid, then Minister of Budget and Planning, appointed Salinas Director General of Economic and Social Policy to prepare the Ministry's Global Development Plan. When de la Madrid was chosen as presidential candidate of the PRI in 1981, he appointed Salinas head of the Institute of Political, Economic and Social Studies (IEPES) - the body responsible for drafting the policies and programmes of the incoming administration.

On de la Madrid's accession in 1982, Salinas was appointed Minister of Budget and Planning at the age of 34. For the next six years he was de la Madrid's closest economic adviser. He was generally perceived to be the architect of the Administration's economic austerity measures. He was also a strong advocate of Mexican membership of the GATT and other elements of de la Madrid's attempts to open up the Mexican economy.

Salinas' nomination as the PRI's presidential candidate in 1988 reflected de la Madrid's preference for continuity and consolidation in Mexico's economic policies. Salinas was seen as the quintessencial modern technocrat, never having held elective office, nor worked in the party machine.

Salinas is sharp intellectually but his lack of political experience makes him somewhat dependent on a group of close political advisers. He performs competently if rather stiffly in public but is relaxed and personable in private. He is a keen sportsman: jogging, tennis and horseriding (for which he received a silver medal in the Pan-American Games in 1971).

He married Cecilia Occelli Gonzales in 1972. They have three children who study at the Japanese school in Mexico City. The family often appear in public, reflecting the importance Salinas attaches to family life.

He speaks good English.

RW1AEN

OUTLINE PROGRAMME FOR PRESIDENT SALINAS' VISIT TO THE UK, 27-30 JANUARY

Saturday 27 January

1840	Arrive Heathrow Southside by special flight from Lisbon Met by a Lord in Waiting and Mr Sainsbury.
2000 - 2100	Reception at Canning House with Canning House members and Latin American diplomatic corps Overnight Claridges hotel.

Sunday 28 January

	Private Breakfast
1015	Depart for Cambridge
1145 - 1230	Visit Philips International
Lunch 1300-1430	Given by Vice-Chancellor at Queen's College
PM	Visit other colleges Return to London
1530	Depart Cambridge
1800 - 1900	Interview with the Financial Times
2000	Private dinner given by Mr Leopold de Rothschild

Monday 29 January

0830 - 0930	Breakfast with the Economist in Claridges Hotel
1000 - 1030	Meeting with Mr Kinnock
1000	Sr Rosenthal calls on Mr Sainsbury
1115 - 1215	Arrive House of Lords for meeting organised by Lord Thomas
1245	Lunch at Bank of England
1500 - 1600	Talks at No 10 with the Prime Minister
1500	Dr Serra Puche calls on Mr Ridley Sr Chirinos calls on Mr Patten (S of S Environment) Sr Blanco calls on Lord Trefgarne
1700 - 1800	Meeting with industrialists arranged by CBI at Centre Point.

MH2ANU

1945 for 2015 Dinner at No 10 given by the Prime Minister.

Tuesday 30 January

0820 Depart Heathrow Southside for Bonn
Seen off by a Special Representative of the Secretary of State.

1000 Sr Aspe calls on the Chancellor.

1730 Talk by Sr Aspe at Chatham House.

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CONFIDENTIAL
FM MEXICO CITY
TO DESKBY 180900Z FCO
TELNO 35
OF 172220Z JANUARY 90
AND TO IMMEDIATE DTI, ODA
AND TO PRIORITY CABINET OFFICE, ACTOR
AND TO ROUTINE WASHINGTON

CABINET OFFICE FOR ASSESSMENTS STAFF
DTI FOR OT4/2

PRESIDENT SALINAS' VISIT TO THE UK: 27 - 30 JANUARY

SUMMARY

1. A SOMEWHAT UNPREDICTABLE SITUATION: ELECTORAL VIOLENCE AND DISCONTENT OVER CONTINUING AUSTERITY. THE CONCLUSION OF THE DEBT AGREEMENT SHOULD BE A BOOST IN THE SHORT TERM. THE BATTLE AGAINST INFLATION STILL SUCCESSFUL. BUT NOTICEABLE LABOUR UNREST. NEED FOR A LABOUR POLICY. AGRICULTURE AT LAST BEING TACKLED. BUT OIL INDUSTRY NOW SHOWING SIGNS OF NEGLECT. RELATIONS WITH US SUFFERED OVER PANAMA. MEXICAN CONCERN OVER 1992 AND OVER LOSS OF POTENTIAL INVESTMENT TO EASTERN EUROPE. SALINAS LOOKING FORWARD TO SEEING PRIME MINISTER AND HOPING FOR MORE BRITISH INVESTMENT. EXAMPLES OF BILATERAL COOPERATION.

DETAIL

2. ON THE EVE OF PRESIDENT SALINAS' VISIT, THIS TELEGRAM UPDATES MY VIEWS AS NECESSARY SINCE THE DESPATCH OF MY ANNUAL REVIEW EARLIER THIS MONTH. I ADD SOME RECOMMENDATIONS ON THE OUTCOME.

POLITICAL SITUATION

3. THE MOOD OF THE COUNTRY REMAINS SOMEWHAT UNPREDICTABLE. SEVEN LEFT-WING ACTIVISTS HAVE BEEN KILLED SO FAR THIS YEAR IN VIOLENT INCIDENTS IN GUERRERO AND MICHOACAN, FOLLOWING LOCAL ELECTIONS WHICH THE OPPOSITION PARTIES CLAIM WERE RIGGED. DESPITE THE COMPROMISE AGREEMENT REACHED BETWEEN THE PRI AND THE PAN LAST OCTOBER ON A LIMITED PACKAGE OF ELECTORAL REFORMS, THE POTENTIAL FOR MORE SERIOUS UNREST REMAINS. SOME ELEMENTS OF THE PRD AT LOCAL LEVEL MAY BE FOMENTING UNREST FROM FRUSTRATION WITH THE LACK OF ANY REAL DEMOCRATISATION AS PROMISED BY SALINAS. BUT THERE IS NO INDICATION THAT THESE TACTICS HAVE THE ACTIVE SUPPORT OF THE PRD'S SOMEWHAT INCOHERENT NATIONAL LEADERSHIP.

4. THE PRESIDENT'S MAIN CONCERN IS CLEARLY THE ECONOMY. BUT THE BENEFITS FROM SEVEN YEARS OF AUSTERITY ARE NOT YET APPARENT TO MOST MEXICANS. AND THE PRI, STILL UNREFORMED DESPITE ITS POOR SHOWING IN THE 1988 ELECTIONS, REMAINS DEEPLY UNPOPULAR. SALINAS CANNOT AFFORD TO TAKE FOR GRANTED THE PATIENCE OF THE LONG SUFFERING MEXICAN PEOPLE.

ECONOMY

5. FINAL AGREEMENT HAS NOW BEEN REACHED ON THE IMPLEMENTATION OF THE DEBT AGREEMENT WITH THE COMMERCIAL BANKS: THE FORMAL SIGNING IS SET FOR 4 FEBRUARY. THE OUTSTANDING TECHNICAL PROBLEMS OVER ENHANCEMENT APPEAR TO HAVE BEEN RESOLVED. ALTHOUGH THE MEXICANS WOULD HAVE PREFERRED A HIGHER PROPORTION OF NEW MONEY, SALINAS HAS DESCRIBED THE DEAL AS QUOTESUFFICIENTUNQUOTE. OUR LATEST INFORMATION ON PROJECTIONS FOR THE EXTERNAL ACCOUNTS IN 1990 INDICATES THAT MEXICO'S CHANCES OF GETTING THROUGH THE YEAR WITHOUT ADDITIONAL RESOURCES ARE BETTER THAN WE EXPECTED. BUT THE CURRENT ACCOUNT COULD STILL DETERIORATE FURTHER AND MEXICO REMAINS VERY DEPENDENT ON NEW PRIVATE INVESTMENT IF THE SALINAS STRATEGY IS TO SUCCEED.

6. THE SATISFACTORY OUTCOME ON THE DEBT CREATES SPACE FOR THE GOVERNMENT IN MANAGING THE DOMESTIC ECONOMY. THE BOOST TO SHORT TERM CONFIDENCE MAY LEAD TO A RENEWED FALL IN INTEREST RATES IN THE COMING MONTHS, WHICH WILL HELP TO CONTAIN INFLATION. (ALTHOUGH WITHIN THE 20% INFLATION TARGET FOR 1989, THE RISE OF 3.6% IN DECEMBER, MAINLY DUE TO PRICE ADJUSTMENTS UNDER THE PECE, HAS AROUSED FEARS OF A RESURGENCE.) WHILE THE GOVERNMENT'S ANTI-INFLATION STRATEGY HAS BEEN A SUCCESS, THE MAIN CHALLENGES NOW WILL BE TO ACHIEVE A CONTROLLED LIBERALISATION OF PRICES - SERIOUSLY DISTORTED AFTER TWO YEARS OF CONTROLS - AND TO KEEP WAGE EXPECTATIONS IN CHECK.

7. THE PACT HAS MEANT FURTHER FALLS IN REAL LIVING STANDARDS, AND THE PROSPECT OF DEEPER LABOUR UNREST IS VERY REAL. LAST WEEK FIDEL VELASQUEZ (BOSS OF THE CTM) TOLD ME THAT THE WORKERS ACCEPT THE PACT BECAUSE THEY UNDERSTAND THE NEED FOR IT, BUT THERE IS A DEGREE OF WISHFUL THINKING IN THIS VIEW. SALINAS HAS YET TO FORMULATE A COHERENT POLICY FOR LABOUR AND THE UNIONS. THE CURRENT VIOLENCE AT THE FORD PLANT IS BUT ONE EXAMPLE OF SEVERAL RECENT OUTBREAKS, POINTING TO GROWING DISSATISFACTION WITH THE TRADITIONAL UNION LEADERSHIP WHICH IS CLOSELY TIED TO THE PRI.

8. THE GOVERNMENT ALSO FACES SERIOUS PROBLEMS IN TWO SPECIFIC SECTORS: AGRICULTURE AND OIL. THE FORMER HAS SEEN A DRAMATIC FALL IN PRODUCTION OVER THE LAST 2 TO 3 YEARS (WITH A SERIOUS IMPACT ON THE BALANCE OF TRADE), CAUSED BY LOW INVESTMENT AND INEFFICIENCY AND MISGUIDED PRICING POLICIES. IN HIS NEW YEAR ADDRESS, SALINAS DREW ATTENTION TO THE NEED TO IMPROVE THE LOT OF THE RURAL POPULATION, AND HIS APPOINTMENT OF CARLOS HANK GONZALEZ AS MINISTER OF AGRICULTURE IS A CLEAR SIGN THAT THIS WILL BE A PRIORITY AREA IN 1990. HANK IS LIKELY TO BRING IN THE PRIVATE SECTOR TO HELP RESTORE PRODUCTION. BUT ANY REFORM OF THE EJIDO SYSTEM IS LIKELY TO ENCOUNTER STRONG POLITICAL RESISTANCE. MEXICO REMAINS DEPENDENT ON ITS OIL EXPORT EARNINGS, ALBEIT MUCH LESS SO THAT IN THE EARLY 1980S. THESE ARE BEGINNING TO FALL AS A RESULT OF SIMILAR UNDER-INVESTMENT AND INEFFICIENCY IN THE STATE OIL CORPORATION, PEMEX. IMAGINATIVE REFORMS WILL BE NEEDED IF MEXICO IS NOT ONLY TO REMAIN A SIGNIFICANT PRODUCER AND OIL EXPORTER, BUT ALSO TO AVOID FURTHER DETERIORATION IN THE CURRENT ACCOUNT.

FOREIGN POLICY

9. RELATIONS WITH THE US HAVE SUFFERED AS A RESULT OF PANAMA, AND THE MEXICAN GOVERNMENT IS GREATLY RELIEVED THAT THE FIGHTING HAS STOPPED AND THAT US TROOPS ARE BEING WITHDRAWN. AT MINISTERIAL AND OFFICIAL LEVEL THE EFFECTS WILL PROBABLY SUBSIDE IN DUE COURSE, BUT THE EVER PRESENT ANTI-AMERICANISM, ESPECIALLY ON THE LEFT, HAS BEEN GIVEN A BOOST. THE RECENT TRANSMISSION (RECEIVED IN MEXICO BY CABLE AND SATELLITE) OF THE NBC TV PROGRAMME DRAMATISING THE CAMARENA AFFAIR (THE MURDER IN MEXICO OF A DEA AGENT BY DRUG TRAFFICKERS IN 1985) HAS ADDED FUEL TO THE FIRE OF ANTI-AMERICAN FEELINGS, ALTHOUGH MY AMERICAN COLLEAGUE HAS PUBLICLY DISSOCIATED HIS GOVERNMENT FROM THE PRODUCTION. THE SITUATION IS NOT HELPED BY AMERICAN CONCERN THAT EVEN THE NEW MEXICAN ADMINISTRATION IS BY NO MEANS FREE FROM PENETRATION BY THE DRUG TRAFFICKERS.

10. LAST WEEK'S VISIT OF THE KING OF SPAIN FURTHERED THE SPANISH CAMPAIGN TO ACT AS THE SPECIAL FRIEND OF LATIN AMERICA WITHIN THE EC. SOME MEXICANS STILL THINK THAT 1992 MAY MEAN THE ESTABLISHMENT OF FORTRESS EUROPE. SALINAS WILL BE KEEN TO HAVE THE PRIME MINISTER'S VIEWS, BOTH ON THE COMMUNITY AND ON RECENT DEVELOPMENTS IN EASTERN EUROPE. THERE IS CONCERN HERE THAT LATIN AMERICA WILL NOT ONLY LOSE POTENTIAL WESTERN INVESTMENT TO EASTERN EUROPE BUT ALSO THE POLITICAL ATTENTION OF WESTERN LEADERS.

ANGLO-MEXICAN RELATIONS
11. THE VISIT PROVIDES THE OPPORTUNITY TO OPEN BRITISH EYES TO THE NEW MEXICO. AS I HAVE ALREADY REPORTED, THE MAIN PURPOSES OF SALINAS' VISIT TO THE UK ARE TO STRENGTHEN HIS RELATIONSHIP WITH THE PRIME MINISTER AND TO SEEK BRITISH INVESTMENT. WE HAVE ALREADY COMMENTED TO THE DEPARTMENT AND TO THE DTI ABOUT SOME OF THE DIFFICULTIES POTENTIAL BRITISH INVESTORS FACE.

12. I HOPE THAT THE VISIT WILL ALSO PROVIDE THE OCCASION FOR :-
A. THE SIGNATURE OF TWO INTERGOVERNMENTAL AGREEMENTS ON COOPERATION AGAINST DRUG TRAFFICKING.
B. THE ANNOUNCEMENT OF A FLAGSHIP SCHOLARSHIP AT QUEEN MARY AND WESTFIELD COLLEGE (LONDON UNIVERSITY) NAMED AFTER PRESIDENT SALINAS.
C. THE ANNOUNCEMENT OF AN ODA GRANT TO FUND A FEASIBILITY STUDY BY BRITISH EXPERTS OF POLLUTION IN THE CITY OF TULA.
D. THE PROMOTION OF THE BID BY DARWIN INSTRUMENTS PLC TO PROVIDE EDUCATIONAL EQUIPMENT WORTH 50 MILLION POUNDS FOR THE MEXICAN MINISTRY OF EDUCATION, INCLUDING THE OFFER OF EQUIPPING AND STAFFING A TRAINING COLLEGE WITH THE HELP OF THE BRITISH COUNCIL.

ACTION IS IN HAND ON THE ABOVE AND IN ALL CASES THE BALL IS IN THE MEXICAN COURT. IS IT TOO MUCH TO HOPE THAT BA MIGHT ANNOUNCE PLANS FOR OPENING DIRECT SCHEDULED FLIGHTS BETWEEN LONDON AND MEXICO CITY ? THAT REALLY WOULD HAVE AN IMPACT HERE.

SIMPSON-ORLEBAR

YYYY

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MR GILLMORE
MR BEAMISH

ADDITIONAL 3

DTI/OT4/2
OVIS/COI
MR TARKOWSKI/HMT.

NNNN

(1)

PRIME MINISTER

We still have one place free for the President of Mexico's dinner on 29 January. It occurs to me that you might like to ask Gilbert De Botton. He runs a major investment fund based in London but is important because he has raised very considerable funds for the Tate Gallery and has persuaded the Japanese in particular to make a major contribution to it. He has not had any recognition for this and including him in a dinner would be a nice way to do it. (I think he has been to a businessmen's / contributors lunch.) Also he does not have a wife at present, which is helpful as we only have a single place!

Agree?

CDP

Yes pls

CHARLES POWELL
16 JANUARY 1990

file

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CONFIDENTIAL

be: PC

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

22 November 1989

MEXICO: PRESIDENT SALINAS'S VISIT 1990

Thank you for your letter of 22 November about the revised dates for President Salinas's visit. The Prime Minister could do a dinner for him on Monday 29 January, with talks earlier in the day.

Charles Powell

R. N. Peirce, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

CONFIDENTIAL

Foreign and Commonwealth Office

London SW1A 2AH

22 November 1989

Dear Charles

Mexico: President Salinas's visit 1990

Thank you for your letter of 9 November which confirmed that the Prime Minister would see President Salinas on 8 February and give a dinner in his honour the same day.

The Mexican Ambassador called on FCO officials last week with instructions to request different dates for the visit. The Mexicans would now prefer Sunday 28 January to Wednesday 31 January. Sr Sepulveda apologised for any inconvenience this rearrangement might cause. Could the Prime Minister see him and offer him dinner on either Monday or Tuesday, 29 or 30 January?

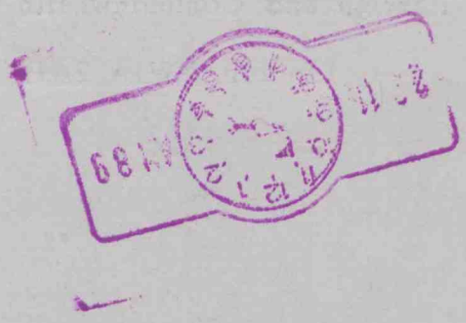
Yours ever

(R N Peirce)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

MEXICO: Visits by Presidents
May 79



FILE KK

CONFIDENTIAL

C:/Salinas

cc PC
AP
(SG informed)

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

9 November 1989

VISIT BY PRESIDENT OF MEXICO

Thank you for your letter of 8 November about the visit of President Salinas to London next February. The Prime Minister agrees to see the President and to give a dinner in his honour on 8 February.

(C. D. POWELL)

R. N. Peirce, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

CONFIDENTIAL

Foreign and Commonwealth Office

London SW1A 2AH

8 November 1989

Dear Charles

Visit by President of Mexico

Thank you for your letter of 3 November, reporting that the Mexican Ambassador had confirmed that President Salinas wished to visit London from 7-9 February.

The Mexican Ambassador has discussed the visit with FCO officials. He said it would form part of a short tour of Europe including Davos (for the World Economic Forum), Geneva (for GATT) and Brussels (for the EC). He may also spend a weekend in Lisbon. He is not likely to visit Europe again before 1991.

Given the political and economic importance of Mexico, the Foreign Secretary believes it would be right for the Prime Minister to offer President Salinas a meeting and dinner.

The Prime Minister will recall her successful meeting with Salinas in Paris in July. We support his efforts to liberalise and open up the Mexican economy, and his tough action against corruption and drugs-trafficking. He deserves encouragement in his goal of achieving the growth Mexico needs, both to preserve political stability and to improve her capacity to meet her debt commitments.

We are discussing with the Mexicans an agreement on confiscation of drug traffickers' assets. We shall try to get the Mexicans to work towards signature in London during the President's visit. We would also aim, naturally, to use the visit to promote British commercial interests in Mexico.

Yours ever

Bob Peirce

(R N Peirce)
Private Secretary

C D Powell Esq
PS/10 Downing Street

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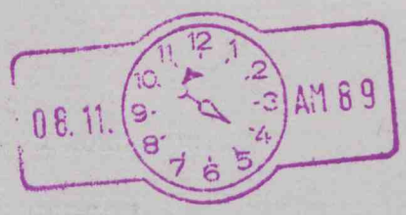


Mexico

Mexico Relo Pt 2.

CONFIDENTIAL

Lisa to
bc P.C.

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

3 November 1989

MEXICO

The Mexican Ambassador duly came to see me today and confirmed the information in your letter of 31 October, namely that President Salinas would like to visit London in the period 7-9 February. I said that I was sure the Prime Minister would in principle be very happy to see him. Looking at her diary, she could probably manage talks starting at about 1630 on Thursday, 8 February, and dinner later that evening. Both 7 and 9 February are difficult for her.

BF 11 You will no doubt now let me have formal advice on whether we should go ahead with the visit.

C.D. POWELL

R.N. Peirce, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

CCPC

Foreign and Commonwealth Office

London SW1A 2AH

31 October 1989

Amanda

How would these dates be?

1430 to 1530 on Wed 7th Feb.

Dear Charles CP

Mexico ~~visit~~ stop

Thank you for your letter of 30 October about a possible visit by President Salinas.

President Salinas is planning a short tour of Europe in February 1990, possibly including a brief working visit to London. Our latest information is that his preferred dates for London are likely to be 7-9 February. The Mexican Ambassador has asked to call ont he FCO on 1 November. We hope he will confirm the dates. We shall then let you have advice on the Prime Minister's involvement with the visit.

Yours ever

RSP

(R N Peirce)
Private Secretary

C D Powell Esq
10 Downing Street

Amanda

Cd we do a working lunch? CP

MEXICO: Visit of the President
May 79

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

30 October 1989

MEXICO

The Mexican Ambassador is pressing to come and see me later this week to discuss the possibility of a visit here by the President of Mexico next February. Is this something of which you are already aware? Is there anything in particular you wish me to say?

CHARLES POWELL

R. N. Peirce, Esq.,
Foreign and Commonwealth Office.

KK

Hus letter in box : 01862
CDP 23/7
23/7.

EMBAJADA DE MEXICO
8 Halkin Street
London SW1

23rd of July, 1985

Mr. Charles Powell
Private Secretary to
the Prime Minister
10 Downing Street
London SW1

Dear Mr. Powell,

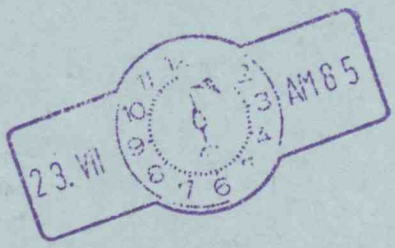
President de la Madrid has addressed a letter of thanks to the Prime Minister regarding his recent visit to the United Kingdom.

The letter which I am enclosing should be delivered to the Prime Minister and I will be grateful for your kind assistance.

Yours sincerely,

Francisco Cuevas Cancino
Ambassador

Encl: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Prime Minister ②
I've done a rough translation
CDP 23/7.

MIGUEL DE LA MADRID H.

PRESIDENTE CONSTITUCIONAL
DE LOS ESTADOS UNIDOS MEXICANOS

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No: T119D/85

Los Pinos, D.F.,
24 de junio de 1985.

cc MASTER SET

Excelentísima señora
Margaret Thatcher,
Primera Ministro de la
Gran Bretaña,
Londres.

Distinguida señora Primera Ministra:

Expreso a usted mi cumplido reconocimiento por las finas atenciones de las que fuimos objeto mi esposa, los miembros de mi comitiva y yo, en ocasión de mi Visita de Estado a la Gran Bretaña.

Deseo, igualmente, manifestarle mi satisfacción por los resultados fructíferos que se alcanzaron y que son testimonio del excelente estado que guardan las relaciones políticas, económicas y culturales entre México y la Gran Bretaña.

Tengo la esperanza de que, cuando usted lo juzgue oportuno, podamos brindarle en México las pruebas de nuestra amistad y hospitalidad.

Reitero a usted mi agradecimiento y las muestras de mi atenta y distinguida consideración.

TRANSLATION OF THE PRESIDENT OF MEXICO'S MESSAGE TO THE PRIME MINISTER

Distinguished Madam Prime Minister,

I wish to express to you my great appreciation for the cordial reception given to me and my wife and to the members of my delegation on the occasion of my State Visit to Great Britain. I should also like to express my satisfaction for the fruitful results of that visit which bore witness to the excellent state of political, economic and cultural relations between Britain and Mexico. I hope that when you judge the moment opportune we shall have the chance to extend our friendship and hospitality to you in Mexico. May I express once more my thanks and my highest consideration.

SUBJECT
cc Master
Ops.

FILE

VC

cc. FCO

10 DOWNING STREET

THE PRIME MINISTER

18 June, 1985

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 116/85

Dear Mr President,

I was most touched by your kind message upon leaving the United Kingdom and subsequently to receive the handsome silver box. It is a most generous gift which will serve to remind me of your visit.

We very much enjoyed your visit and I found our talks particularly useful.

I send my best wishes to Senora de la Madrid and to your sons.

Yours sincerely

Margaret Thatcher

His Excellency Senor Lic. Miguel de la Madrid Hurtado

RM

01490

EMBAJADA DE MEXICO

London, 17th June, 1985

The Right Honourable Margaret Thatcher, MP,
Prime Minister,
10 Downing Street,
London, SW1

Dear Prime Minister,

President de la Madrid has instructed me to forward to you the enclosed souvenir. It is the expression of the President, as well as Mrs. de la Madrid's gratitude, for the many courtesies received during his State Visit to the United Kingdom.

Yours sincerely,

Francisco Cuevas Cancino,
Ambassador

Encl.

Subject ce master
CDP
17/6

MEXICO

Copy to Mr Powell, No 10

MESSAGE FROM PRESIDENT DE LA MADRID OF MEXICO

TO THE PRIME MINISTER

14/6.

To Her Excellency

Mrs Margaret Thatcher MP

Prime Minister of the United Kingdom of Great Britain

London

On the conclusion of the State Visit which I made to Great Britain, I am very pleased to reaffirm my most sincere thanks for the incomparable attention which we received during our stay. Señora de la Madrid joins me in sending our very best wishes for your personal happiness.

Miguel de la Madrid Hurtado

President of the United Mexican States

14 June 1985

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T115A/85

Press Line

The President and the Prime Minister discussed a wide range of bilateral and international issues including the world economic situation and financial questions.

The President and the Prime Minister both expressed the hope that trade between their two countries would be increased. They welcomed the agreements reached on export projects and investment in Mexico signed during the visit between British and Mexican companies in the fields of engineering, process plant, electronics, chemicals, pharmaceuticals and transportation. They hoped for further cooperation in education, fisheries, aerospace and tourism. In this context the Prime Minister announced that further ECGD cover was being made available for Mexico and that a £1 million technical cooperation package had been agreed for use over the next three years for the training of Mexican personnel associated with contracts awarded to British companies.

The Prime Minister and President reaffirmed their support for the Contadora process and its aim of reaching a comprehensive negotiated settlement of Central American tensions. They called on the States concerned to continue to make every effort to bring the Contadora process rapidly to final fruition through the signature of a comprehensive and verifiable agreement which would bring peace to the region.

(To include if necessary)

The Prime Minister and President Miguel de la Madrid exchanged views on the current state of the oil market. It was agreed that stability in the market is in the interests of both producers and consumers.

They also discussed British efforts to achieve more normal relations with Argentina.

SUBJECT
& Master Set

MJ
cPC

10 DOWNING STREET

From the Private Secretary

12 June 1985

Dear Peter,

PRIME MINISTER'S MEETING WITH THE PRESIDENT OF MEXICO

The Prime Minister had a talk with the President of Mexico before her lunch in his honour earlier today. President de la Madrid was accompanied by the Mexican Foreign Minister, Senor Sepulveda, and by the Mexican Ambassador. Her Majesty's Ambassador in Mexico City was also present.

Mexican Economy

After welcoming the President, the Prime Minister said that she was delighted to have the opportunity to hear at first hand how the President saw Mexico's economic situation. It was critical to the future of the region and to the resolution of international debt problems that the President should succeed in resolving Mexico's economic problems.

President de la Madrid said that the crisis which had exploded in Mexico in 1982 had both internal and external causes. The internal causes were basically of a structural nature. The first was a high rate of demographic growth. Mexico had now established a family planning policy with the aim of bringing the rate of growth down to 1.9 per cent by 1988 and 1 per cent by the year 2000. There had also been serious structural imbalances. One was the low productivity of agriculture. Another was the excessive protection of industry which had failed to develop an export capacity. In addition the public sector deficit had ballooned to reach 18 per cent of GNP. Among the external factors were the fall in oil prices from mid-1981 and the emergence of high real interest rates. When inflation had reached nearly 100 per cent in 1982, there had been a flight of capital and Mexico had to suspend servicing its external debt.

President de la Madrid said that over the past two years some progress had been made. The public sector deficit had been reduced to 7 per cent by increasing taxes and public sector charges. There had been a real drop in public expenditure. A tight wages policy had been pursued

leading to a cut of 30 per cent in wages in real terms. Fortunately the Government had enjoyed the co-operation of the trade unions who had understood that it was better to have a smaller salary than no job. This had enabled the Government to put into effect its adjustment policy. At the same time the Government had supported private enterprise by fiscal incentives and credit and help in the renegotiation of foreign debts. Public expenditure had been channelled towards sectors which would serve basic social needs. There had been cutbacks in a number of major projects including the Sicartsa Plate Mill, on which the Mexican Government hoped soon to give clear guidance to British firms involved. Inflation had been brought down to about half what it was in 1982. Growth had been stronger than expected: 3½ per cent by the end of 1984. This had come mainly from the resurgence of private sector activity. Private investment had grown by some 9 per cent but public investment by only 0.5 per cent. It had proved necessary to tighten financial discipline yet further in the first few months of this year in a renewed effort to deal with inflation. The measures taken by the Government were not as spectacular as those at the beginning of the crisis, but one had to take into account the fact that Mexico was now into its third consecutive year of austerity. As the Prime Minister would well understand it was impossible to pursue too drastic policies against that background.

The Prime Minister congratulated President de la Madrid on his courageous policies. He had inherited a complex of problems, any of which would have been daunting but together were almost overwhelming. But he had succeeded in setting in hand a complete restructuring of the Mexican economy. She recognised the the political difficulties involved and the impossibility of continuing severe restraint indefinitely. But clearly the President had been successful in explaining to the Mexican people why sacrifices had to go on.

The Prime Minister continued that she had been interested to hear the President say that the productivity of Mexican agriculture was low and wondered why this was so. President de la Madrid said that it stemmed basically from the system of land tenure under which plots were too small. Moreover farmers were intensely individualistic and had to be persuaded into co-operatives in order to benefit from technology. Another factor was that agricultural prices had been kept too low, although the Government were now trying to change this.

Debt Questions

President de la Madrid said that Mexico had been willing to comply with its international obligations and had never sought a moratorium on its debts. It had also tried to give a lead to other Latin American countries to pursue sensible policies. He felt that Mexico's attitude had helped. The Prime Minister thanked the President for giving a lead to others. Mexico's example had been instrumental in avoiding default by others which would have had disastrous

implications for the world economy. However the problems were far from over, particularly in the case of Brazil and Mexico. President de la Madrid said that Mexico enjoyed a close co-operation with the IMF and with the Federal Reserve Bank as well as with a number of British banks.

The Prime Minister asked whether a high dollar or a low dollar suited Mexico's needs better? President de la Madrid said that Mexico's currency was closely linked to the dollar and the high dollar had affected its trade with Europe. Sooner or later the US Administration would have to take measures which would lead to a fall in the dollar. He hoped that it would not be too abrupt. The Prime Minister observed that it was ironic that while Britain had kept its deficit under control and Mexico had taken strong action to correct its deficit, the United States had tolerated a huge deficit at the height of a boom.

Oil Prices

President de la Madrid said that Mexico's main external concern was instability of the oil market. Mexico had tried to help counter this by reducing exports. He was particularly worried about Saudi Arabia's intentions. Saudia Arabia was increasingly dissatisfied with OPEC's performance and had threatened to go as far as necessary to restore discipline. He feared that Saudi Arabia could take the price of oil below the $15. This would deepen the economic crisis and have a calamitous effect on Mexico.

The Prime Minister said that she shared the President's concern about instability in the oil market. But she thought the Saudi Government had too strong a sense of responsibility, not to speak of economic self-interest, to allow the price of oil to fall too far. Moreover, while the United States had not originally understood the possible repercussions of a steadily falling oil price they now realised the adverse consequences of this. The Prime Minister continued that she expected conditions in the oil market to remain difficult for a period, though in the longer term she expected prices to rise again. She explained the reasoning behind the Government's decision to abolish BNOC whose term price had become a source of speculation and instability.

President de la Madrid suggested that there ought to be a more systematic dialogue between oil exporting and consuming countries. He feared the consequences of unrestricted market forces. The Prime Minister said that the consequences of trying to ignore the market were even more serious. The main reason why we faced problems now was OPEC's earlier efforts to rig the market. She recalled the efforts made by Dr Kissinger in 1974/75 to stimulate a producer/consumer dialogue. These had never got off the ground. She did not believe it would be possible to get any agreement between producers and consumers which would hold.

The Prime Minister asked whether Mexico intended to make further reductions in its oil prices.

President de la Madrid said that his Government were following the market situation closely and were considering whether to make adjustments at least for certain types of crude. They did not want to reduce their prices in a way which reinforced a general downward trend. The Prime Minister said that she agreed on the need for stability. If the price were to go below $25 a lot of countries would face major difficulties. President de la Madrid suggested that contacts should continue on this subject between oil ministers. The Prime Minister welcomed this.

Central America

The Prime Minister said that Britain contributed to stability in Central America through the presence of its forces in Belize and through various forms of aid and technical assistance. She was very worried, however, about the situation in Nicaragua. Nicaragua's military spending was unreasonably high and the quantity of arms coming in from abroad a souce of serious concern. It could only be explained by a determination to cause trouble elsewhere in Central America. She did not believe that the Sandinistas wanted to establish genuine democracy in Nicaragua and had said as much to Vice President Ramirez when he had visited the United Kingdom. She would be interested in President de la Madrid's assessment. She wished to make clear, however, the United States had not asked its allies to participate in economic sanctions against Nicaragua. Even if they had, we would not have done so because in our experience such sanctions never worked.

President de la Madrid said that the situation was also of great concern to the Mexican Government. They had worked hard to achieve a settlement and avoid a generalised conflict in Central America. The root of the problem was the growing hostility between the United States and Nicaragua, although he recognised the conflict between Nicaragua and some of its neighbours was also a factor. Mexico had tried to foster a direct dialogue between Nicaragua and the United States. This had been interrupted but Mexico would persist. His fear was any conflict in Central America would last a very long time. If the Sandinistas were toppled they would only take to the jungle and not only in Nicaragua. This would create an even more lamentable situation in Central America. The Prime Minister said that the conclusion she drew was that the best tactics were to persuade Nicaragua towards the establishment of genuine plural democracy and away from dependence upon the Soviet Union. President de la Madrid said that because of its economic difficulties, Nicaragua had to resort more and more to help from the Soviet bloc. The Prime Minister suggested that the solution would be to spend less on defence and more on agriculture. President de la Madrid said there were two key points to be overcome to achieve a solution. The first was to persuade the Sandinistas to undertake a commitment that Nicaragua would not become a Soviet satellite. He thought that this could be achieved if a solution could be found to the second point, namely the

guerrilla problem. The difficulty here was that President Reagan had allowed himself to become too personally involved with and committed to the Contras. The Prime Minister said that she could not agree that the United States was at the root of the problem. This was a matter on which she and the President had a different perspective. None the less we welcomed what Mexico was trying to achieve and supported the Contradora process. President de la Madrid said that flexibility was needed from both the United States and Nicaragua. But for the time being neither was prepared to show any.

The meeting ended at 1255.

I am copying this letter to Rachel Lomax (HM Treasury), John Mogg (Department of Trade and Industry), Geoff Dart (Department of Energy) and Richard Hatfield (Cabinet Office).

yours sincerely,

Charles Powell

Peter Ricketts Esq
Foreign and Commonwealth Office.

CONFIDENTIAL

Foreign and Commonwealth Office

London SW1A 2AH

11 June 1985

CDP.

Dear Charles,

Prime Minister's Meeting with President de la Madrid of Mexico: 12 June 1985

The Department of Trade and Industry have revised the list of contracts to be signed at Admiralty House today between British and Mexican interests as a result of progress towards agreements during the past 48 hours. Now included in the main list are British Rail Engineering Limited, Morgan Crucible, and Unilever. We have also been told that the Glaxo Board have today agreed to invest in a joint venture for the manufacture in Mexico of pharmaceutical products.

I enclose the revised list which should replace the existing list in the briefing for the Prime Minister which I sent you yesterday.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

CP 12.11/6.

OVERSEAS DEVELOPMENT ADMINISTRATION
ELAND HOUSE
STAG PLACE LONDON SW1E 5DH
Telephone 01-213 4819

Sir Crispin Tickell KCVO
Permanent Secretary

11 June 1985

Charles Powell Esq
10 Downing Street
LONDON SW1

Dear Charles,

SPEECH FOR THE PRIME MINISTER'S LUNCH

As promised I have had a go at the draft speech for the Prime Minister to deliver at her lunch for President de la Madrid of Mexico tomorrow. The result is enclosed.

The Prime Minister may also wish to make some reference to the earthquake which enlivened our dinner during her visit in October 1981. She will remember that next day President Lopez Portillo said that he had tried to provide the Prime Minister with a taste of everything important in Mexico, including the earthquake.

My reference to the leading British civil engineer and industrial entrepreneur who worked in Mexico at the beginning of this century is to Sir Weetman Pearson, first Viscount Cowdrey. It is astonishing how much of his civil engineering work is still operational today.

Yours ever

Crispin

Crispin Tickell

cc Peter Ricketts Esq
FCO

CONFIDENTIAL

CDP 14/6

Foreign and Commonwealth Office

London SW1A 2AH

10 June, 1985

Prime Minister
You may like to look at these tonight since you will meet him tomorrow - although your talks are on Wednesday
CDP 14/6

Dear Charles,

Meeting between the Prime Minister and President De La Madrid of Mexico: Wednesday 12 June

IN FOLDER I enclose briefing for the Prime Minister's meeting with President de la Madrid on Wednesday 12 June, together with a short draft speech for the Prime Minister's use at lunch immediately after the talks.

We propose that on our side Sir C James, should join the talks. On the Mexican side President de la Madrid will be accompanied by his Foreign Minister, Lic. Bernardo Sepulveda, by the Mexican Ambassador, Lic. Francisco Cuevas-Cancino, and by the President's Private Secretary Lic. Gamboa Patron. Biographical notes are enclosed.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

CONFIDENTIAL

FILE

RW

cc: PC

10 DOWNING STREET

From the Private Secretary

22 May, 1985

MEXICO: STATE VISIT OF PRESIDENT DE LA MADRID

Thank you for your letter of 22 May about the objectives we should pursue in discussions with President de la Madrid. I am sure that these will be acceptable to the Prime Minister. I think that she will also wish to be briefed on the state of play over the Sicarsa project.

(C.D. Powell)

L. Appleyard, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

CONFIDENTIAL

Foreign and Commonwealth Office

London SW1A 2AH

22 May 1985

Dear Charles,

Mexico: State Visit of President Miguel de la Madrid

President Miguel de la Madrid of Mexico will pay a State Visit to Britain from 11-14 June, as part of a tour of European countries which will also take him to Spain, Belgium, the Federal Republic of Germany, and France. This will be de la Madrid's first visit to Europe as President; since he took office in December 1982 he has visited Latin America (Argentina, Colombia, Venezuela, Brazil); the United States and Canada; and, because of Mexican links with the Non-Aligned Movement, he has also visited India and Yugoslavia.

President de la Madrid is at the mid-point of his six-year, non-renewable, term of office. Mexico is still the world's second biggest debtor, but has achieved significant success in adhering to IMF-imposed disciplines, despite the social pressure which these policies are causing, mainly because of de la Madrid's determination in keeping to his economic strategy.

The Prime Minister will have a bilateral meeting with President de la Madrid of Mexico at 1200 on 12 June, immediately before the Government luncheon. We believe that our objectives should be:

i) to protect our financial interests, which effectively means Mexico's not defaulting on outstanding debts; and to this end to re-affirm our support for Mexico's economic strategy, including commercial collaboration in the form of direct exports, joint ventures etc; and to encourage Mexico's moderate approach to international debt issues;

ii) to reaffirm our support for the Contadora process and Mexico's important role therein;

iii) to explain British/European Community objectives in Central America, in particular the encouragement of democracy, security and economic and social improvement in the region, and our support for the basic objectives of US policy.

/ The Prime Minister

CONFIDENTIAL

The Prime Minister could also explain our position on the Falklands and Argentina, while bearing in mind that the Mexicans have consistently assured us that this is not a major pre-occupation for them. East/West relations and disarmament are likely to be important subjects for the Mexicans but are not likely to be taken much beyond generalities (eg the Delhi Declaration).

We assess the probable Mexican objectives as:

i) to secure endorsement of their economic strategy, including an increase in non-oil exports, new markets for Mexican products etc.

ii) to promote greater understanding of the Latin American debt problem and the need for a debtor/creditor political dialogue to alleviate it.

iii) to press us to continue to play a part in pursuit of oil price stability, notwithstanding the disappearance of BNOC.

iv) to reconfirm support for the Contadora process and, perhaps, to enlist European economic support for a settlement in Central America.

v) to persuade HMG to use its influence with the US to take a more moderate line towards Nicaragua, eg on sanctions, and resumption of the Manzanillo talks.

More generally, we expect the President will look for an expression of our appreciation of his efforts to keep Mexico on a stable and steady path throughout a major economic crisis.

Yours ever,
Len Appleyard

(L V Appleyard)
Private Secretary

C D Powell Esq
10 Downing Street

22 MAY 1985

010

Mrs. Lyde CR 18/4

Ken will want to note timings.

CDP 17/4

Foreign and Commonwealth Office

London SW1A 2AH

17 April 1985

Dear Charles,

Mexico: State Visit

In accordance with normal practice, I enclose a copy of the proposed programme for the State Visit of President de la Madrid of Mexico from 11-14 June.

We hope that the programme will be largely finalised during the visit of the senior Mexican reconnaissance team from 22-25 April.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

LORD CHAMBERLAIN'S OFFICE,
ST JAMES'S PALACE, S.W.1.

STATE VISIT OF THE PRESIDENT OF MEXICO

11th - 14th June 1985

Proposed Programme for the President and Senora de De la Madrid, who will accopany His Excellency on all engagements except to St. James's Palace on Wednesday, 12th June.

This Programme will be discussed with the Reconnaissance Party during the week beginning Monday, 22nd April.

Tuesday, 11th June

11.35 a.m.	The President's aircraft arrives Gatwick Airport.
	Met by a Member of the Royal Family and local dignitaries.
	RAF Guard of Honour (inspected).
	Artillery Salute fired from Hyde Park.
11.50 a.m.	Depart Gatwick Railway Station in Royal Train.
12.30 p.m.	Arrive Victoria Railway Station, London.
	Met by The Queen and The Duke of Edinburgh and other Members of the Royal Family, Government Ministers and other Dignitaries.
	Artillery Salute fired from the Tower of London.
	Foot Guards Guard of Honour (inspected).
12.40 p.m.	State Carriage Procession to Buckingham Palace
1.00 p.m.	Arrive Buckingham Palace.
	Guard of Honour of The Queen's Guard (not inspected).
1.30 p.m.	Luncheon at Buckingham Palace.
4.30 p.m.	Visit to Westminster Abbey.
5.00 p.m.	Receive Address of Welcome from City of Westminster at St. James's Palace.
5.20 p.m. - 6.00 p.m.	Attend Reception at the Mexican Embassy for the Mexican Community and at Canning House for the British/Mexican Society.
8.30 p.m.	State Banquet at Buckingham Palace.

Wednesday, 12th June

10.45 a.m.	Receive Heads of Mission of the Diplomatic Corps at St. James's Palace, leaving Buckingham Palace in a Carriage Procession at 10.35 a.m. and returning there at 11.40 a.m.
a.m.	Senora de De la Madrid visits Museum of Mankind at Burlington House.
12 noon	Talks with Prime Minister at No. 10 Downing Street.
1.00 p.m.	Lunch at No. 10 Downing Street, returning to Buckingham Palace at 2.30 p.m.
Later	Attend Reception at Speaker's House, Palace of Westminster.
7.30 p.m.	Attend a Reception and Banquet at Guildhall given by the Lord Mayor and Corporation of London, leaving Buckingham Palace at 7.15 p.m. and returning at 10.35 p.m.
	Honourable Artillery Company Guard of Honour (inspected).

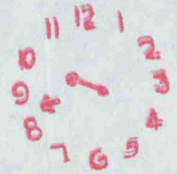
Thursday, 13th June

	Breakfast at Ambassador's Residence with Mr. Leopold de Rothschild and others.		
10.30 a.m. - 12. noon	Calls at Buckingham Palace by Leaders of Political Parties.		
12.15 p.m.	Visit International Maritime Organisation.		
1.00 p.m.	Luncheon at the Bank of England.		
3.30 p.m.	Open MEXPO at Novotel, Hammersmith and meet Members of CEMAI.		
4.45 p.m.	Address Captains of Industry at Novotel	3.00 p.m.	Address Captains Industry at Centre Point
5.45 p.m.	Arrive Buckingham Palace	4.00 p.m.	Arrive Buckingham Palace.
8.30 p.m.	The President's Banquet		

Friday, 14th June

10.00 a.m.	Depart Buckingham Palace by car for Heathrow Airport.
?10.45 a.m.	Depart Heathrow by air for Brussels.

17 APR 1985



No, I decided not to write

10 DOWNING STREET

From the Principal Private Secretary

14 February 1985

I last wrote to you on 11 February about the Mexican Ambassador's proposals for President de la Madrid to address members of both Houses. I can now let you know rather more about how the Government are taking this forward.

We all want the State Visit to be a great success and to reinforce our excellent relations with Mexico. The final decision on the Ambassador's proposal lies with Parliament. But we have some reservations about inviting the President to address members of both Houses either in the Royal Gallery or in the Grand Committee Room. This could quickly become a precedent for all State Visitors from parliamentary democracies, rather than the signal honour reserved for the major powers and our closest allies which it has been up to now. I know that the Leader of the House is, however, exploring some ideas which would enable the President to speak to interested members of both Houses during his visit.

I shall ensure that you are told of the outcome.

The Rt. Hon. The Lord Wilson of Rievaulx, K.G., O.B.E., F.R.S.

RESTRICTED

Foreign and Commonwealth Office

London SW1A 2AH

13 February 1985

Dear Robin,

Proposed Address to Parliament by the President of Mexico

Thank you for your letters of 21 January and 11 February to Len Appleyard enclosing your correspondence with Lord Wilson about the Mexican Ambassador's recent initiative. I am sorry that it has taken us longer than it should to respond on these, but the Ambassador has written to a large number of peers and MPs and we thought it better to wait until we had a chance to sort out the confusion created by the Ambassador's many approaches before replying to you.

Sir Geoffrey Howe has reflected on how we should deal with the Mexican Ambassador's suggestion. He has very much in mind the need to ensure the success of the Mexican State Visit. But he is concerned that to meet either of the Mexican requests would create an awkward precedent for future State visits from parliamentary democracies and would risk diluting the signal honour of an invitation to address members of both Houses in the Royal Gallery which has hitherto been reserved for the major powers and our closest allies. He sees as a possible solution an occasion organised by the British Mexican Parliamentary Group, whom the Ambassador has also approached.

I have written in this sense to Charles Marshall in the / Lord Privy Seal's Office (copy enclosed). Mr Biffen has since written to Mr Cockeram asking him to consider the proposal.

/ I enclose a draft reply from you to Lord Wilson. This follows the line taken by Sir Geoffrey in letters to Mr Heath and Mr Healey.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

F E R Butler Esq
No 10 Downing Street

RESTRICTED

DSR 11 (Revised)

DRAFT: ~~minute/letter/telegram/despatch/note~~ TYPE: Draft/Final 1+

FROM:
F E R Butler Esq

Reference

DEPARTMENT: TEL. NO:

SECURITY CLASSIFICATION

Top Secret
Secret
Confidential
Restricted
Unclassified

TO:
Lord Wilson

Your Reference

Copies to:

PRIVACY MARKING

.....In Confidence

CAVEAT.....

SUBJECT:

I last wrote to you on 11 February about the Mexican Ambassador's proposals for President de la Madrid to address members of both Houses. I can now let you know rather more about how the Government are taking this forward.

We all want the State Visit to be a great success and to reinforce our excellent relations with Mexico. The final decision on the Ambassador's proposal lies with Parliament. But we have some reservations about inviting the President to address members of both Houses either in the Royal Gallery or in the Grand Committee Room. This could quickly become a precedent for all State Visitors from parliamentary democracies, rather than the signal honour reserved for the major powers and our closest allies which it has been up to now. I know that the Leader of the House is however exploring some ideas which would enable the President to speak to interested members of both Houses during his visit.

I shall ensure that you are told of the outcome.

Enclosures—flag(s).....

MEXICO Relays

J/B

10 DOWNING STREET

From the Private Secretary

11 February 1985

MEXICO: STATE VISIT BY PRESIDENT DE LA MADRID

Thank you for your letter of 11 February about the President of Mexico's State Visit.

I confirm that the Prime Minister will host the Government's luncheon on 12 June.

(C. D. POWELL)

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

CONFIDENTIAL

Foreign and Commonwealth Office

London SW1A 2AH

CDP 11/2.

Mr Powell

This is standard form, and already in the diary.

DNB 11/2

11 February 1985

Dear David,

Mexico: State Visit by President de la Madrid: 11-14 June

As you know, the President of Mexico, Lic. Miguel de la Madrid Hurtado, and his wife, will be paying a State Visit to Britain from 11-14 June.

The draft programme includes a luncheon to be given by Her Majesty's Government on Wednesday 12 June. I would be grateful for confirmation that the Prime Minister would wish to host this at No 10.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

David Barclay Esq
10 Downing Street

CONFIDENTIAL

File

D58

10 DOWNING STREET

From the Principal Private Secretary

11 February 1985

Further to our correspondence about the State Visit of President de la Madrid and an address to a joint session of Parliament, I enclose a further self-explanatory exchange of correspondence with Lord Wilson.

I would be grateful if you could let me have advice on how these letters might be dealt with as soon as possible.

Robin Butler

Len Appleyard, Esq.,
Foreign and Commonwealth Office.

10 DOWNING STREET

From the Principal Private Secretary

11 February 1985

Many thanks for your letter of 7 February enclosing a further letter from the Mexican Ambassador about the State Visit of President de la Madrid. I agree that the Ambassador's suggestion in his postscript does look more realistic and I have passed it on to those who are considering this matter.

The Rt. Hon. Lord Wilson of Rievaulx, KG, OBE.

Rt. Hon. Lord Wilson of Rievaulx

House of Lords

7 February 1985

Dear Robin,

Thank you for the letter you sent to me about the approach from the Mexican Ambassador. I have now received a further letter from him, copy of which is enclosed, as I thought you ought to know of the suggestion he makes in the postscript, as this might be easier to arrange.

Yours sincerely,

(Harold) Wilson

Robin Butler Esq
Principal Private Secretary
10 Downing Street SW1

EMBAJADA DE MEXICO
LONDRES

London, 22nd January, 1985

The Rt. Hon. Lord Wilson of Rievaulx, PC, KG, OBE,
House of Lords,
London, SW1A OPW

Dear Lord Wilson,

How very nice of you to answer my letter of January 2nd. We are indeed expecting great benefits for both our countries from my President's visit to Great Britain, and your interest in assuring its success is a firm guarantee that all will go well.

I have spoken to Lady Young at the Foreign Office about the reception of President de la Madrid at Parliament. She will surely be in touch with you in order to assure the greatest success of the visit.

Yours very sincerely,

Francisco Cuevas Cancino,
Ambassador

P.S. The most likely suggestion, and one I hope you will consider, is that a Selected group of Members of Both Houses should issue an invitation to hear an Address by the Mexican President at the Grand Committee Room.

Thank you again,

FCC

Mexico : Relations 5/81

FEB 1985

Foreign and Commonwealth Office

London SW1A 2AH

5 February 1985

Dear Charles,

State Visit By President Of Mexico

Thank you for your letter of 8 January about the proposal by the Mexican Ambassador that President de la Madrid might be invited to address both Houses of Parliament during his forthcoming State Visit. As you may have heard, the Ambassador has since modified his original proposal and is now suggesting that the President might speak to a smaller audience from both Houses, possibly in the Grand Committee Room.

Sir Geoffrey Howe is inclined to believe that either of the two proposals made by the Mexican Ambassador might set an awkward precedent for later State and official visits and that an address by the President under the auspices of the British Mexican Parliamentary Group might therefore be the best solution. He would be interested to have the views of the Lord President and Leader of the House on this point.

During the present reign we have confined the privilege of addressing Parliament to the Great Powers and our closest allies, namely France (3 times), the United States, Italy, USSR, Federal Republic of Germany (the Chancellor). If we agreed even to the modified Mexican request, the precedent thus set could soon lead to further requests on behalf of other Heads of State whom we hope to invite on State or official visits here within the next 2 or 3 years, i.e. the Presidents of Korea and Colombia. We would then have no convincing grounds to refuse. In the circumstances, Parliament might be reluctant to assume what could soon become a commitment to receive Heads of State from countries with Parliamentary systems on State or official visits. Nor could we be at all certain of ensuring an adequate Parliamentary audience for all such visitors even in the Grand Committee Room.

There is also the point that by extending the practice of addressing Members of both Houses in Parliament we would be debasing the currency and detracting from the signal honour of an invitation to address Members of both Houses in the Royal Gallery.

.../To

To avoid as far as possible causing offence to the President of Mexico, Sir Geoffrey suggests for consideration that we should ask the British Mexican Parliamentary Group to arrange an occasion during which President de la Madrid might give a brief address and then take questions. The precedent set thereby would be more manageable. The Mexican Ambassador has written to Mr Eric Cockeram MP, who is one of the officers of the British Mexican Parliamentary Group. Mr Cockeram, who has sought our advice, might be asked to undertake the necessary arrangements with our assistance and advice.

I am copying this letter to David Beamish with reference to his letter of 7 January on the same subject to Helen Unsworth.

Yours sincerely,

Peter Ricketts

(P F Ricketts)
Private Secretary

C M J Marshall Esq
Private Secretary
Privy Council Office

FILE

da

10 DOWNING STREET

From the Principal Private Secretary

25 January 1985

State Visit of the President of Mexico

I attach a self-explanatory exchange of correspondence with Mr. James Prior, which you may like to pass on to those dealing with the proposal that the President should address a joint session of Parliament.

FERB

L.V. Appleyard, Esq.,
Foreign and Commonwealth Office.

EAL

10 DOWNING STREET

From the Principal Private Secretary 25 January 1985

Many thanks for your letter of 23 February about the State Visit of the President of Mexico. I agree that the suggestion in the postscript to the Ambassador's letter may be a helpful one, and I am passing it on to those who are thinking about this question.

I am also making sure that the FCO know about your kind offer on behalf of GEC.

FERB

The Rt. Hon. James Prior, M.P.

The Rt. Hon. James Prior, M.P.

HOUSE OF COMMONS
LONDON SW1A 0AA

23rd January 1985

Dear Robin

I am enclosing a copy of a further letter I have had from the Mexican Ambassador. I would have thought his suggestion about members of both Houses attending in the Grand Committee Room would certainly be possible.

Can I reiterate that GEC would like to do anything they can to help with the President's visit.

Yours

Jim

Robin Butler, Esq.,
Principal Private Secretary,
10 Downing Street,
London, SW1.

EMBAJADA DE MEXICO
LONDRES

London, 22nd January, 1985

The Rt. Hon. James Prior, MP,
House of Commons,
London, SW1A OAA

Dear Mr. Prior,

How very nice of you to answer my letter of January 2nd. We are indeed expecting great benefits for both our countries from my President's visit to Great Britain, and your interest in assuring its success is a firm guarantee that all will go well.

I have spoken to Lady Young at the Foreign Office about the reception of President de la Madrid at Parliament. She will surely be in touch with you in order to assure the greatest success of the visit.

Yours very sincerely,

Francisco Cuevas Cancino,
Ambassador

P.S. Could you kindly consider this formula:
That a group of selected Members of both Houses should invite to hear an address of the Mexican President in the Grand Committee Room.

Thank you again,
Yours,

10 DOWNING STREET

From the Principal Private Secretary 21 January 1985

I enclose a letter from Lord Wilson enclosing one from the Mexican Ambassador, which follows the same lines as letters to several other people about an address to a joint session of Parliament by President Miguel de la Madrid on his forthcoming visit to London.

I know that we are currently considering how to handle this proposal, and I should be grateful if you could advise me on the terms in which I should reply to Lord Wilson.

L.V. Appleyard, Esq.,
Foreign and Commonwealth Office.

10 DOWNING STREET

From the Principal Private Secretary 21 January 1985

Many thanks for your letter of 15 January enclosing one from the Mexican Ambassador. I have seen this proposal before, and I know that it is being considered at present. If I may, I will take advice and let you know which way the wind is blowing. My present impression is that the Mexican proposal causes us some embarrassment because, as you will be aware, the honour of addressing a joint session of Parliament is one which has hitherto been restricted to Heads of State and Heads of Government only of our closest and most important allies.

The Rt. Hon. The Lord Wilson of Rievaulx,
K.G., O.B.E., F.R.S.

(4)

Prime Minister

CDP
18/1

House of Lords

Prime Minister

The Mexican Ambassador asked me to lunch today. After a good deal of discussion, he raised the point as to whether there were some matters which I thought his President should not raise with you when he sees you in the summer. An example of this might be the Falklands. I said that I saw no point in Senor de la Madrid raising the question unless he had something really original to say. The Ambassador expressed himself very grateful for this advice, which I pointed out was entirely personal.

Hugh Thomas

Lord Thomas of Swynnerton

January 16, 1985

The Rt. Hon. Lord Wilson of Rievaulx

15 January 1985

Dear Robin,

I am enclosing a letter which I have received from the Mexican Ambassador. It comes to me because of my own friendship with the President of Mexico whom I had the opportunity of getting to know when he was here

I think the idea raised in this letter is a good one, though I was not quite sure of the procedures which should be followed in trying to discover whether or not it was a possibility. I thought you would be the best person to advise me, and I should be pleased if you would let me know how I should reply to the Ambassador on this.

Yours sincerely,

(Harold) Wilson

Robin Butler Esq
Principal Private Secretary
to the Prime Minister
10 Downing Street
SW1

file

EA

10 DOWNING STREET

From the Principal Private Secretary

11 January 1985

Many thanks for your letter of 9 January and for sending me the letter from the Mexican Ambassador. The Ambassador has been making this suggestion to a number of people on behalf of his President.

I was interested to see your response which, if I may say so, I thought was very helpful. The Foreign Office are considering the Mexican proposal, but I think that it is useful to damp down their expectations.

FERS.

The Rt. Hon. James Prior, M.P.

file

EGL

10 DOWNING STREET

11 January 1985

From the Principal Private Secretary

By coincidence after the Royal Visits Committee meeting this morning, I returned to my desk and found a letter from Mr James Prior about the proposal that the President of Mexico should address both Houses of Parliament on the occasion of his State Visit. I enclose a copy of Mr Prior's letter, together with enclosures, and my acknowledgment.

I am sending a copy of this letter for information to Sir Robert Armstrong and Sir Philip Moore.

FERB

The Hon. Eustace Gibbs, CMG.

The Rt. Hon. James Prior, M.P.

HOUSE OF COMMONS
LONDON SW1A 0AA

9th January 1985

Dear Robin.

I thought you ought to see a letter I have received from the Mexican Ambassador together with a copy of my reply. Of course from the industrial point of view it would be very helpful if the President could be afforded this honour. This has to be weighed against the precedent which would be set.

I am not certain what else we can do to help but I know that GEC would like to be involved in his visit in any way that could be beneficial.

Yours

Jim

Robin Butler, Esq.,
Principal Private Secretary,
10 Downing Street,
London, SW1.

The Rt. Hon. James Prior, M.P.

HOUSE OF COMMONS
LONDON SW1A 0AA

9th January 1985

Thank you for your letter of 2nd January. Of course I should like to help in any way I can to facilitate an invitation to the President to address both Houses of Parliament on the occasion of his State Visit. I have to say that I think this is unlikely to be granted as it is of itself a very rare event. I may be wrong but in 25 years in Parliament I can only remember the Presidents of the United States and France being accorded such an honour, and even then not without controversy. Above all I should not wish the visit of the President to become controversial because of this request, and I certainly would not wish this request to be made only to be turned down. I think the best thing I can do is to convey your wishes with my strong support to the Prime Minister.

H.E. Francisco Cuevas Cancino,
Ambassador,
The Mexican Embassy,
8 Halkin Street,
London, SW1.

000013

EMBAJADA DE MEXICO
LONDRES

London, 2nd January, 1985

The Rt. Hon. James Prior, MP
House of Commons,
London, SW1A OAA

Dear Mr Prior,

The current world situation -featured by high interdependency among nations- doubly redoubles my Government's attachement to the development of its bonds with Europe. It is in this context that the President of Mexico, Miguel de la Madrid, will be making a State visit to Great Britain on the forthcoming month of June. My Government believes it is a splendid opportunity to renew old ties between Mexico and one of the leading democracies of the world.

It is my firm belief that the highest honour any foreign statesman can aspire to while visiting Britain is to be offered the opportunity to address Parliament. Such a distinction would certainly mark the peak of my President's visit.

Since I know well your friendship for my country, may I request your help in drafting an invitation for President de la Madrid to address both Houses of Parliament, on occasion of his State visit. A suitable date would be the morning of Wednesday, June 12th.

I know this is a bold request, but the admiration both Whitehall and the City have for my President, as well as his very high standing among Statesmen of the world, provide me with the hope that it can be done.

Yours sincerely,

Francisco Cuevas Cancino,
Ambassador

11 JAN 1985

000038

EMBAJADA DE MEXICO
LONDRES

London, 2nd January, 1985

Lord Wilson of Rievaulx, PC, KG, OBE,
House of Lords,
London, SW1A OPW

Dear Lord Wilson,

The current world situation -featured by high interdependency among nations- doubly redoubles my Government's attachement to the development of its bonds with Europe. It is in this context that the President of Mexico, Miguel de la Madrid, will be making a State visit to Great Britain on the forthcoming month of June. My Government believes it is a splendid opportunity to renew old ties between Mexico and one of the leading democracies of the world.

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Yours sincerely,

Francisco Cuevas Cancino,
Ambassador

Mexico

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FM MEXICO CITY 071700Z MAY 79
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TELEGRAM NUMBER 74 OF 7 MAY

FOR SHAKESPEARE, M AND CD

1. PRESIDENT LOPEZ PORTILLO SENT A WARM TELEGRAM OF CONGRATULATIONS TO THE NEW PRIME MINISTER ON 4 MAY ENDING QUOTE I AM CONVINCED THAT UNDER YOUR GOVERNMENT THE TRADITIONAL SINCERE AND FRIENDLY RELATIONS WHICH HAPPILY JOIN OUR TWO COUNTRIES WILL BE REINFORCED UNQUOTE.

2. THE PRIME MINISTER'S REPLY PROVIDES AN EXCELLENT OPPORTUNITY TO RENEW THE INVITATION TO THE PRESIDENT TO PAY A STATE VISIT TO THE UK. WHILE CLEARLY THE FORMAL INVITATION MUST COME FROM HER MAJESTY THE QUEEN, THERE IS EVERY ADVANTAGE IN THE PRIME MINISTER INDICATING THAT SHE HOPES TO SEE THE PRESIDENT IN THE UK IN 1980.

COX

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SIR A DUFF
SIR A PARSONS
MR HALL

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Grey Scale #13
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