



10 DOWNING STREET

From the Private Secretary

20 August 1981

Thank you for your letter of 18 August, in which you asked if I could clarify the Prime Minister's remarks at Ottawa about a code of practice on the treatment of private capital investment in developing countries.

As you say, the Prime Minister has mentioned the possibility of a code of practice several times. She tells me the idea was first put forward by Mr. Biffen at her lunch with Mr. Trudeau on 26 June, and the record in Michael Alexander's letter to Roderic Lyne of that date sets out the background. As you will see, the Prime Minister has in mind a code of practice that protects private investment in the third world from nationalisation or expropriation, thereby encouraging a greater flow of private capital to developing countries.

I have drawn the Prime Minister's attention to the negotiations in the UN on a non mandatory code of practice on the operations of transnational companies, which we hope will include clauses protecting private investment from expropriation. But she is aware that little progress has been made in these negotiations since they were started in 1977. She has therefore asked for advice on how her suggestion might be followed up if she were to decide to pursue it. Since Mr. Biffen first floated this idea, you may wish to consult John Rhodes on what exactly he had in mind. I believe the Department of Industry will also have to be consulted since they lead on the UN negotiations on transnational companies.

As far as the State Department are concerned, you may wish to tell them that the Prime Minister was not proposing any definite new policy initiatives. You could give our Embassy in Washington discretion to explain the Prime Minister's thinking as outlined above and to explore American reactions, but I leave you to judge whether that would be useful.

I am copying this letter to Ian Ellison (Department of Industry), John Rhodes (Department of Trade) and David Wright (Cabinet Office).

W. F. S. RICKETT

Francis Richards, Esq.,
Foreign and Commonwealth Office.

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Policy file



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Prime Minister

You have occasionally mentioned the possibility of an international code of practice on the treatment of private capital investment in developing countries.

The FEO are wondering whether you have a new initiative in mind, or whether you were simply expressing support for the current UN negotiations on a non-mandatory code of practice on the operations of transnational companies. Since negotiations started in 1977, the UK has consistently supported such a code of practice, which would include clauses protecting private investment from nationalisation or expropriation in developing countries.

Do you have in mind a new initiative?
or were you expressing support for our efforts in the UN?

WFR 19/8

I mentioned it to
Trade Sec before O'Hanrahan and I
checked reference was made

to subjugate for investment
as a result.

We could follow with
suggestion

no