



Chancellor of the Duchy of Lancaster  
and  
Paymaster General

PRIVY COUNCIL OFFICE  
WHITEHALL, LONDON SW1A 2AT

Prime Minister

*You need to be aware of this  
before Thursday's debate. But there  
is nothing in the enclosed notes which  
is in the least embarrassing.*

6 July 1982

*10/8/7*

*t-a.*

Dear John

ARGENTINA

*2. I have told Mr. Parkinson's office, since you may not be able  
to deal with this before going to home, that they should proceed  
as at X. Agreed with A.S.C. 6/7*

I understand that Mr Michael Foot's office contacted the Department of Trade earlier today to ask for copies of any speeches made by Mr Parkinson when he visited Argentina as Minister for Trade in August 1980. In fact, as the Department stated in a written Parliamentary Answer on 14 May, transcripts of the speeches Mr Parkinson made on that visit are not available: but the notes prepared for one speech, to the Anglo-Argentine Chamber of Commerce, were handed to the Press in Argentina. A copy of the notes is attached. Some quotes from this speech were used by Mr Paul Foot in a "Daily Mirror" article early in the Falklands crisis. Mr Parkinson therefore feels that the best course is to send Mr Michael Foot a copy of the notes, while pointing out that Mr Parkinson's remarks were directed to economic cooperation and that the economic team in the Argentine Government at the time was very different from that at the time of the Falklands invasion. We should be grateful to know as soon as possible whether the Prime Minister has any objection to this course of action.

We assume that Mr Foot has asked for these notes in preparation for Thursday's debate on the Falklands enquiry. We suspect that when he sees them he will realise that there is little in them which can be used as ammunition, but if he does raise the subject we recommend that the Prime Minister adopt the line indicated above.

I am sending copies of this letter to John Holmes (FCO), John Rhodes (Department of Trade) and David Wright (Cabinet Office).

*Yours sincerely,*

KEITH LONG  
Private Secretary

A J Coles Esq  
Private Secretary to the Prime Minister  
10 Downing Street  
London SW1



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business school has recently found a British partner (Herley Admin Staff College) following long talks with Howard.

BRITISH CHAMBER OF COMMERCE IN ARGENTINA FRIDAY 8 AUGUST

Lady a gentlemen,

First may I say a few words about the importance of Latin America, and in particular of Argentina, in the context of world trade. It is an importance recognised by OECD in its report "Interfutures" where it is predicted that by the end of the century the region will be enjoying a level of income roughly comparable with Italy today. The GNP among Latin American countries is now much higher than in most other parts of the Third World; and with large natural resources - minerals oil and immense hydro electric potential - the region is, I believe, destined to occupy a position of unique influence. Within the region Argentina has a place of its own. With the third largest GNP in Latin American and the second highest per capita GNP Argentina already has a potential which suggests to me that we have held back for too long in taking up the threads of our traditional ties.

I am aware that parts of Argentine industry are in difficulty; and I am equally aware that it is little comfort to be told that others elsewhere in the world are finding the going equally difficult. But let me do so anyway.

A new Government was elected in Britain just over a year ago. That Government, of which I am proud to be a member, is making the most fundamental changes to the economic and industrial fabric of the

/country



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country probably since the Second World War - and those changes bear a remarkable similarity to the changes being made by the Government here.

We are changing the way Britain looks at itself. We are changing the way Britain looks at the world.

Let me discuss for a minute our role in the world which was in danger of being lost in a near-obsession with our own internal problems.

I am sure the change is apparent from here. Britain is looking outwards again both politically and economically. You may not agree with every stance we take, but we are again playing a major part in World affairs.

In Europe we are playing a positive role while trying to force the pace of change in arrangements, like the common agricultural policy, which are of little benefit inside the Community and none at all outside. And I have <sup>been</sup> left in no doubt, in the past few days, what Argentina thinks about the CAP.

We are taking a constructive part in the international agencies which manage world trade and finance - in the GATT, the IMF and in the institutions in which the North/South dialogue is being conducted.

Above all we are doing everything we can to keep the open trading

/system





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system a reality. We know that the world is in recession. That recession is having as much an effect in Britain as elsewhere. The ranks of the world's unemployed are swelling daily and any civilised country must view unemployment as, at best, a tragic waste of human resources.

With recession and unemployment come plans for protection. Superficially, it is an easy - and politically attractive way out. I believe that we must turn away from that attraction, it is medicine in a modern developed economy. Our approach internationally has been to take every possible step to avoid the break-down of world trade through the vicious circle of protection and retaliation. It should never be forgotten that trade - not aid or credit - is by far the greatest bringer of wealth and the most vigorous catalyst of economic development. I believe your own Government's rejection of the easy answer of protectionism to be courageous and, above all, right.

It was for these reasons that Britain played a central role in the success of the Tokyo Round of GATT trade negotiations which will lead to greatly reduced tariff barriers and real progress in dismantling the unfair obstacles to trade which exist in so many countries. I am pleased to see that Argentina has already signed most of the new GATT codes.

I would point to only one further example of our determination to

/look



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look beyond our shores and take the long-term view. That is our attitude to overseas investment by British companies. For many years - 40, in fact - any ambitions for foreign investment were stifled by exchange controls. Now, as an important part of our overall economic strategy, we have abolished these controls. And it is countries like this that I hope will benefit from our decision.

But let us now turn briefly to our domestic policies, especially in the economic and industrial fields.

We are going through a period of enormous industrial upheaval and adjustment. Part of this change is being forced upon us by circumstances beyond our control - in particular, of course, we must point to rising oil prices and recession in much of the developed world. We are also having to adjust to increasing competition in manufactures from low-cost producers in the developing world.

But much of the change reflects a conscious decision by the Government based on a view that Britain has simply not been making enough of its strengths. What are these strengths?

- We are virtually self-sufficient in energy (oil, natural gas, coal, and nuclear power) and that is an almost unique position to hold in the developed world;

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- We are still leaders in many areas of high technology  
(telecommunications, <sup>power generation</sup> medical equipment, oil and gas development,  
mining equipment, transport systems and so on);

British exports to \$750 z dollars.

- We are one of the world's major exporters with one-third of  
everything we produce going abroad (twice the level of Japan and  
four times that of the US); *2nd as much as Japan.*

- in the city of London we have the world's biggest concentration  
of banking, insurance and commodities expertise;

*think so. \$500 z. p -*

- Above all perhaps we have a secure, stable and democratic  
political system, and the enormous personal strength of our  
people. *had to answer.*

So the view the international press takes of Britain is often much  
too gloomy. - *Schwarz struck i NY.*

Certainly, we have problems at present: our inflation is too high  
and our level of unemployment is of no comfort to anyone in Britain.  
But <sup>is</sup> our policies <sup>and</sup> have had to take the long-term view, even if some  
of these policies seem harsh in the short-term. *Thus T.*

At the root of those policies has been the need for a radical  
shake-up in British industry. The need to completely change  
relationships and put them on a more constructive footing -  
principally the relationships between industry and government



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and between labour and managements.

We are making industry responsible for its own future while creating the right ~~general~~ <sup>business</sup> environment for companies to prosper. We are encouraging competition. We are ending the monopoly powers of some of the giant state-owned industries and privatising whenever possible. I can only applaud your own efforts in this direction.

We are keeping a tight hold on public spending - a hold which, I believe, will succeed in bringing down interest rates to industry. We are gradually reforming the tax system - moving from taxes on personal income to taxes on spending.

So you can see just how close Argentina and Britain are in their economic policies. I truly believe that they represent the only road open to us.

It seems to me that this identity of purpose in the economic field gives us the basis for a very close relationship in the future. In my meetings with your ministers, this week, we have discussed not only direct trade but the prospects for more UK investment, joint ventures, technology transfer. I see also the scope for bilateral cooperation in third markets.

We have discussed the ideas for the Latin American free trade area which would have an important bearing on investment discussions.

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We have also discussed the European Common Agricultural policies. On that subject, I have already said something publicly and I hope you are in no doubt of the British Government's position - we don't like it, we don't want it and we are going to do whatever possible to change it.

Finally may I say that your Chamber plays an important role in supporting our trade interests here, and I welcome this opportunity to pay tribute to it.

It is efforts such as yours, coming from within the community here in Buenos Aires, which do so much to strengthen our commercial ties in a manner and to a degree which external contacts cannot achieve.

This has been a memorable and rewarding visit. If it has done anything to help establish a stronger British presence here or to encourage Argentines to think of Britain as a natural partner in commerce, it will have been more than worth while.

*a wealth of amenities - all of the <sup>40</sup>best of the <sup>best</sup> happy.*



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