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FM HMY BRITANNIA
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INFO RBDWDF/WASHINGTON
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SAVINGS TO BONN PARIS UKREP BRUSSELS UK MIS NEW YORK

FOLLOWING FROM SECRETARY OF STATE

1. I HAD AN HOURS MEETING WITH THE PRESIDENT DE LA MADRID YESTERDAY. HE WAS WARM, RELAXED AND FORTHCOMING, AND EMPHASISED HIS HOPES THAT THE QUEENS VISIT WOULD LEAD TO A MUCH CLOSER ANGLO-MEXICAN RELATIONSHIP THAN HAD BEEN POSSIBLE IN THE PAST. WORLD ECONOMY.
2. I SAID THAT WE MUCH ADMIRER THE EFFORTS WHICH THE PRESIDENT HAD BEEN MAKING TO PUT MEXICOS ECONOMY AND FINANCES BACK INTO ORDER. WE WERE GLAD TO HAVE BEEN OF HELP. DE LA MADRID EXPRESSED HIS APPRECIATION. IT WAS NECESSARY TO PURSUE THE RIGHT ECONOMIC POLICIES AT HOME, BUT NO COUNTRY COULD ACHIEVE RECOVERY BY ITSELF. THE RIGHT INTERNATIONAL ATMOSPHERE HAD TO BE CREATED. HERE HE EXPRESSED INTEREST IN THE PROSPECTS FOR THE WILLIAMSBURG SUMMIT. BUT THE INDUSTRIAL COUNTRIES THERE ASSEMBLED COULD NOT THEMSELVES TAKE THE WORLD OUT OF THE RECESSION. THEY HAD TO TAKE MORE ACCOUNT OF THE SITUATION OF OTHER COUNTRIES AT DIFFERENT LEVELS OF ECONOMIC DEVELOPMENT. ONLY BY GIVING SUCH COUNTRIES THE OPPORTUNITY TO EXPORT THEIR PRODUCTS COULD THEY GENERATE SUFFICIENT FOREIGN EXCHANGE TO PROVIDE THE MARKET FOR THE INDUSTRIAL COUNTRIES WHICH COULD HELP PULL THE WORLD OUT OF RECESSION.
3. I SAID IT WAS IMPORTANT THAT WILLIAMSBURG SHOULD NOT AROUSE EXCESSIVE EXPECTATIONS. DE LA MADRID AGREED. BUT THE WORLD LEADERS MUST AT LEAST SHOW THAT THEY WERE GOING IN THE RIGHT DIRECTION AND THAT THINGS WOULD COME RIGHT IN THE END. HE COULD NOT BE OPTIMISTIC IN THE SHORT TERM. THERE WAS A DANGER THAT UNCONSIDERED EFFORTS TO STIMULATE THE WORLD ECONOMY AND INCREASE EMPLOYMENT MIGHT GENERATE NEW INFLATIONARY PRESSURES AND RE-START THE CURRENT CYCLE. THE PROBLEMS OF THE WORLD ECONOMY WERE STRUCTURAL. THIS TIME WE MUST GO FOR PERMANENT SOLUTIONS IN THE MIDDLE AND LONG TERM WHICH WOULD PERMIT A SUSTAINED RECOVERY.
4. ON PROSPECTS FOR THE INTERNATIONAL MONETARY SYSTEM, I ARGUED AGAINST THE ATTEMPTS IN PRESENT CIRCUMSTANCES TO TRY TO INVENT SOMETHING NEW. IT WAS BETTER TO INCREASE THE RESOURCES AVAILABLE TO EXISTING INSTITUTIONS AND IMPROVE THEIR FUNCTIONING. DE LA MADRID WARMLY AGREED THAT IT WOULD BE WRONG TO WASTE TIME AND ENERGY ON THEORETICAL PROBLEMS. IT WAS BETTER TO RESOLVE ONE PRACTICAL PROBLEM THAN TO BRING A DOZEN UNDER CONSIDERATION. MEXICAN ECONOMY.

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5. DE LA MADRID SAID THAT HE HOPED MEXICO WOULD EMERGE FROM ITS PRESENT DIFFICULTIES WITHIN THE NEXT 2 OR 3 YEARS. INDEED, HE HOPED THAT BY THEN A GROWTH RATE OF AROUND 6% COULD BE ACHIEVED. HIS PREDECESSORS HAD BEEN TOO AMBITIOUS AND HAD RAISED GROWTH RATE TO OVER 8% WITH RESULTS WHICH COULD NOW BE SEEN. HE REMARKED THAT 6% WAS A HIGH RATE IN ITSELF. COULD MEXICO HOPE TO ACHIEVE ANYTHING LIKE THIS IF INTERNATIONAL CIRCUMSTANCES WERE NOT RIGHT? DE LA MADRID REPLIED THAT MEXICO WAS OBVIOUSLY DEPENDENT ON OTHERS AS THE PRESENT CRISIS HAD SHOWN, BUT IT HAD ENORMOUS RESOURCES AND THESE SHOULD NOW BE DEVELOPED IN MORE RATIONAL FASHION. OBVIOUSLY MEXICO COULD NOT BORROW, AS IN THE PAST, AND MUST GENERATE THE NECESSARY FOREIGN EXCHANGE THROUGH EXPORTS. HERE HE MEANT MANUFACTURED GOODS AS WELL AS OIL, MINERALS AND COMMODITIES. A SUCCESSFUL EXPORT POLICY WOULD PERMIT MEXICO TO MODIFY CURRENT POLICIES OF IMPORT SUBSTITUTION WHICH HAD NOT HAD THE RESULTS EXPECTED OF THEM. MEXICAN PROBLEMS IN THE PAST HAD BEEN AGGRAVATED BY AN ARTIFICIAL EXCHANGE RATE POLICY: WITH THE PESO OVER-VALUED, IMPORTS HAD POURED INTO THE COUNTRY AND EXPORTS OF MANUFACTURED GOODS HAD DWINDLED AWAY TO ALMOST NOTHING.

6. DE LA MADRID SAID THAT EMPLOYMENT WAS ONE OF HIS BIGGEST PRACTICAL PROBLEMS. THERE WERE ALMOST A MILLION NEW MEXICANS COMING ONTO THE LABOUR MARKET EVERY YEAR. BUT OPPORTUNITIES WERE DECLINING IN BOTH TOWN AND COUNTRY. AT TIMES OF CRISIS THE POOR ALWAYS SUFFERED THE MOST. HE THUS HAD MAJOR POLITICAL PROBLEMS. BUT HE WAS DETERMINED TO GO FOR STRUCTURAL RATHER THAN SHORT-TERM SOLUTIONS AND WOULD TRY TO PROVIDE MORE JOBS, WHILE INTRODUCING MODERN TECHNOLOGY WHERE POSSIBLE. THE MEXICAN ECONOMY WAS INEVITABLY CLOSELY ASSOCIATED WITH THE US ECONOMY. LIKE US HE WAS THEREFORE WATCHING WITH ANXIETY PROTECTIONIST PRESSURES IN WASHINGTON, THE SIZE OF THE CURRENT US BUDGET DEFICIT, AND THE SHADOW OF THE FORTHCOMING US PRESIDENTIAL ELECTIONS.

OIL.

7. DE LA MADRID SAID THAT HE HOPED THAT THERE COULD BE MUCH CLOSER CONSULTATION BETWEEN BRITAIN AND MEXICO OVER OIL POLICY IN THE FUTURE. THERE SHOULD BE A DIALOGUE BETWEEN OPEC AND NON-OPEC OIL PRODUCERS TO ALLOW THE EVOLUTION OF WORLD ENERGY POLICIES WHICH BALANCED THE INTERESTS OF CONSUMERS AS WELL AS PRODUCERS. BUT MEXICO COULD NOT ENTER INTO SUCH A DIALOGUE ALONE. HE WOULD LIKE TO SEE A FORM OF CONTINUING (PREFERABLY UNINSTITUTIONALISED) CO-OPERATION BETWEEN SUCH COUNTRIES AS BRITAIN, MEXICO AND EGYPT. ALTHOUGH THIS WOULD NOT BE A COUNTER - OPEC, IT WOULD HELP THE NON-OPEC PRODUCERS BETTER TO LOOK AFTER THEIR OWN INTERESTS.

8. HE REFERRED TO MEXICAN OIL RELATIONS WITH SUCH LATIN AMERICAN OIL PRODUCERS AS VENEZUELA AND ECUADOR. DE LA MADRID REPLIED THAT MEXICO HAD GOOD CO-OPERATION WITH SUCH COUNTRIES IN THE LATIN AMERICAN FRAMEWORK, BUT THEY WERE MEMBERS OF OPEC AND MEXICO WAS NOT. HE SAID THAT HE WOULD DISCUSS THE PRESIDENTS IDEAS WITH MY COLLEAGUES ON MY RETURN TO LONDON.

BELIZE/FALKLANDS.

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9. DE LA MADRID SAID THAT MEXICO DEVOUTLY HOPED THAT PEACEFUL SOLUTIONS TO THE PROBLEMS OF CENTRAL AND LATIN AMERICA COULD BE FOUND. TO THIS END HE HAD BEEN DEVELOPING CO-OPERATION WITH VENEZUELA AND COLOMBIA. HE THOUGHT THAT THE UNITED NATIONS SHOULD PROVIDE THE NECESSARY MEANS FOR DEALING WITH SUCH SPECIFIC PROBLEMS AS BELIZE AND THE FALKLANDS.

10. ON BELIZE, DE LA MADRID THOUGHT THAT HELP SHOULD BE MOBILISED FROM AS MANY OTHER COUNTRIES AS POSSIBLE. HE HAD CANADA AND THE CARIBBEAN COUNTRIES PARTICULARLY IN MIND. HE SAID THAT WE SHOULD MUCH WELCOME HELP FROM THESE SOURCES. WE WANTED TO WITHDRAW OUR GARRISON AS SOON AS WE COULD. DE LA MADRID THOUGHT THAT LATIN AMERICAN COUNTRIES MIGHT BE BROUGHT IN AS WELL. VENEZUELA AND COLOMBIA WERE MUCH CONCERNED. MEXICO FULLY SUPPORTED THE INDEPENDENCE AND TERRITORIAL INTEGRITY OF BELIZE AND WAS GIVING ALL THE HELP IT REASONABLY COULD.

11. TURNING TO THE FALKLANDS, DE LA MADRID RECALLED THAT HIS PREDECESSOR HAD CONDEMNED THE ^{ARGENTINE USE OF FORCE} ~~ARGENTINE USE OF FORCE~~ ~~AX3,58,3 713 9% 8943~~. BUT MEXICO WAS A LATIN AMERICAN COUNTRY, AND SUPPORTED THE GENERAL LATIN AMERICAN CASE FOR DECOLONISATION. HE SAID THAT THE BRITISH WERE WORLD EXPERTS IN DECOLONISATION, AS OUR RECORD FULLY SHOWED. THE DIRECT BRITISH INTEREST IN THE FALKLANDS WAS SMALL BUT, LIKE MEXICO, WE ADHERED TO THE PRINCIPLE OF SELF DETERMINATION AND HAD TO RESPECT THE VIEWS AND FEELINGS OF THE ISLANDERS, NOW ALL THE STRONGER AFTER THE UNPROVOKED AGGRESSION AGAINST THEM. BUT WE NATURALLY WANTED TO RETURN TO A MORE NORMAL RELATIONSHIP WITH ARGENTINA AS SOON AS WE COULD. DE LA MADRID SAID THAT MEXICO HAD BEEN CRITICISED BY MANY LATIN AMERICAN COUNTRIES FOR THE POSITION HIS PREDECESSOR HAD TAKEN DURING THE CONFLICT LAST YEAR. BUT CURIOUSLY ENOUGH, THAT POSITION SEEMED TO HAVE WON THE RESPECT OF THE ARGENTINES, AND MEXICO WAS NOW CLOSER TO ARGENTINA THAN IT HAD BEEN IN THE VKST., IF THERE WAS ANYTHING HE COULD DO TO HELP, WE SHOULD LET HIM KNOW. MEANWHILE, HE HOPED THAT THE UNITED NATIONS MIGHT PROVIDE MEANS FOR AN EVENTUAL SOLUTION OF THE PROBLEM.

CONCLUSION.

12. DE LA MADRID SAID HE WAS DELIGHTED BY THE QUEENS VISIT AND LOOKED FORWARD TO A CLOSER WORKING RELATIONSHIP BETWEEN THE TWO COUNTRIES AS A RESULT. HE WOULD WELCOME A MORE POSITIVE BRITISH INTEREST IN THE AFFAIRS OF THE REGION. HE HOPED WE WOULD REMAIN IN CONSTANT TOUCH.

13. FCO PLEASE REPEAT TO SAVING ADDRESSEES.

(REPEATED AS REQUESTED)

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