

Prime Minister

A.J.C. 23/2

✓ c. Sir A. Parsons.

FCS/83/38SECRETARY OF STATE FOR ENERGY
Visit to Mexico: Oil Prices

1. You will have seen from the telegrams that both the President and the Foreign Minister raised the question of oil prices with me during my time in Mexico. The President said that he thought there should be a dialogue between OPEC and non-OPEC producers, to allow the evolution of world energy policies which balanced the interests of consumers and producers, and said he would like to see continuing, but not institutionalised, cooperation between non-OPEC producers like Britain and Mexico. The Foreign Minister said that the Venezuelans had asked him to suggest to me that it might be useful if OPEC and at least some non-OPEC producers held a high level meeting to discuss ways of achieving a more orderly oil market. He indicated that Mexico would find it difficult to participate in such a move unless other important oil producers like Britain did so as well.
2. I said that I would discuss these points with you on my return. I see that similar points have been made by others. The Nigerian statement on 19 February, announcing their own oil price reduction, called for a dialogue on pricing within OPEC and between OPEC and non-OPEC producers.
3. I understand the difficulties over entering into a formal dialogue with other producers on oil matters, and particularly with OPEC as a group. However, it seems to me that we should do everything possible to encourage less formal bilateral contacts and

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to exchange views on the oil market whenever practicable. It was clear in Mexico that the reception that we gave to their team who were here in January had made a very favourable impact. I know that Hamish Gray is seeing the emissary of the Venezuelan Oil Minister this week. I hope we will be able to respond positively to suggestions of similar bilateral meetings with others. Quite apart from the benefit to our general bilateral relations with the various countries concerned, we have nothing to hide. We have much to explain and as much to find out. All sorts of mischievous motives would be imputed to us if we were to seem unenthusiastic.

4. If the Arab OPEC countries now follow the Nigerians with a significant price cut, I imagine that the pressures for meetings between OPEC and non-OPEC producers might grow. I wonder if we are fully prepared to respond to this, and whether an early meeting of senior officials to consider our reaction might not be useful.

5. I am copying this minute to the Prime Minister, OD colleagues and Sir R Armstrong.

A handwritten signature in dark ink, appearing to be 'FP', with a horizontal line underneath.

(FRANCIS PYM)

Foreign and Commonwealth Office
22 February 1983

22 FEB 1983

