

SUBJECT

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RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE MEXICAN FOREIGN MINISTER AT 10 DOWNING STREET ON TUESDAY, 28 JUNE, 1983 AT 1000 HOURS

PRESENT

The Prime Minister
Mr. Ure
Mr. Coles

Lic Bernardo Sepulveda Amor
Lic Francisco Cuevas-Cancino

Mr. Sepulveda said he brought warm greetings from President de la Madrid. He handed over a letter from the President congratulating the Prime Minister on the election result. The recent visit of Her Majesty The Queen to Mexico was remembered with great pleasure.

In response to a question from the Prime Minister, Mr. Sepulveda said that Mexico had faced a big economic crises but, as a result of tough measures, it was now emerging. The measures taken would provide surer ground for economic development. The IMF, among others, had recognised the firmness with which Mexico had applied the necessary economic medicine.

The Prime Minister said that a year ago there had been little appreciation of the depth and scale of the debt problems of developing countries. On the first day of her holiday last August she had been briefed by Mr. Leutweiler on the Mexican situation. Later, the seriousness of the debt problems in other South American countries had become apparent.

Earlier this year we had all had to take steps to stabilise the price of oil. A sharp and sudden fall would have exacerbated the problems of economic recession and debt. The stabilisation measures had been reasonably successful. The combination of IMF action, the efforts of commercial banks and the measures taken by the countries concerned had enabled us to avert what had threatened to be a major economic crisis. But problems remained. Brazil had not been able to meet its

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repayment obligations. Argentina would soon be in difficulty again. It was fortunate that President de la Madrid had given a lead in accepting IMF disciplines. We knew that had not been easy.

Mr. Sepulveda commented that Mexico had taken the right measures at the right time. But it was now concerned about the failure of other South American governments to take the necessary decisions. In particular, the current election campaign in Venezuela would last until December - this could mean too long a delay in government action on economic problems.

The effect on the Mexican population of the economic crisis had still to be fully felt. So far there had not been much unemployment. But Mexico realised that unemployment would grow as medium and small sized enterprises failed to survive. Mexico would see a more austere society. But, rather as in the United Kingdom recently, there was an inner strength deriving from concepts of patriotism and nationalism which were very important in coping with the economic situation.

Mr. Sepulveda said that Mexico was worried by the Central American situation. The Prime Minister said that she had discussed the problems last week with Vice President Bush. She believed that the United States had not been given sufficient credit for its help to the area. Two-thirds of its aid was economic. The problems of Central America were enormously difficult, particularly because of the extent of Cuban interference.

Mr. Sepulveda agreed that the situation was difficult. Mexico wished to see a sustained effort to create peaceful conditions. The possibility of armed conflict, especially between Honduras and Nicaragua, was imminent. If measures were not taken to prevent it, an extremely serious situation could arise. A war between Honduras and Nicaragua could extend to El Salvador and perhaps Guatemala. Cuba could become involved. There was also a possibility of involvement of the great powers.

/ Mexico

Mexico wished to convince the parties concerned of the possibility of settling the various disputes peacefully. It had tried hard to convince its American friends that they should not pursue a military path. Some progress had been made. President Reagan had appointed a special ambassador to the area who had had very fruitful discussions in Mexico two weeks ago. Ambassador Stone was convinced that he should pursue a diplomatic, not a military course. But the difficulties were enormous. There was inbred conflict, not only within, but between the countries of Central America. This was difficult to contain but the effort had to be made in order to prevent something like the Middle East situation developing in Latin America. Mexico wanted the advice and assistance of Britain to provide a political perspective for a solution. This would serve the best interests, not only of Mexico, but of the United States. Mexico was acting entirely in good faith within the Contadora group to bring about a mediation between the parties. All parties, including Cuba, had to be convinced of the soundness of this approach.

The Prime Minister said that it was easier to influence democratic countries than countries with other systems. She recalled the basic US objectives set out in President Reagan's Congressional Address of 27 April. We had sent observers to the last elections in El Salvador because we thought it important to encourage steps towards democracy. Despite intimidation, 80% of the people had voted.

She agreed that dialogue was vital, but it was difficult to have genuine dialogue with a country motivated as Cuba was. The reception of the Pope in Nicaragua had shocked people in Britain. A few minutes' television film had displayed the nature of the regime more clearly than any amount of paper could have done. We could not ignore the fact that there were forces at work which wished to extend their political creed to other countries. Mexico and Britain believed in democracy and in the right of nations to work out their own destiny. Mexico would be aware of Cuban activity, for example in Grenada where it was trying to upset the stability of the Caribbean. We welcomed the

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Contadora initiative but we could not close our eyes to the activities of hostile powers.

Mr. Sepulveda said that the arms race in Central America gave rise to concern. There were already more arms in the area than were required for defence purposes - and armouries were growing. This problem would be very serious within a short time.

As regards Cuba, he agreed that it was difficult to conduct a dialogue with non-democratic countries. But he believed that the Cubans were in the process of becoming convinced that their interests were better served by not intervening. Mexico knew for a fact that Cuba was restraining the guerrillas in El Salvador from attempts to overthrow the government by military force. For Cuba knew very well that if the guerrillas won, the United States would intervene and that would be contrary to Cuban interests.

The Prime Minister commented that the guerrillas had failed to take the opportunity of putting up candidates in the last elections. Mr. Sepulveda said that they would not take such opportunities. In El Salvador elections were unfortunately not a solution because, in themselves, they could not result in a government with the power to rule. The Prime Minister said that those who had turned to violence should not be allowed to get their way. We had a similar problem with the IRA. They had contested elections and had won seats, but had then refused to take up their seats and made it clear that violence would continue.

Mr. Sepulveda said that Mexico fully agreed with these sentiments but believed that there had to be a combination of negotiations and elections. For example, the opposition forces in El Salvador needed guarantees for their safety were they to take part in the electoral process. That required negotiation. Otherwise, Duarte would win the next election but would still not be able to govern.

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The Prime Minister said that the problem was familiar. If negotiations were opened with guerrillas, they secured part of their aims. There was then a temporary peace, followed by fresh guerrilla activity, and then more negotiations. The fact that guerrillas had won seats in Northern Ireland did not stop them from using violence. She doubted whether it was possible to persuade such people, who were determined to seize power for their own ends, to give up violence. They were interested in power, not democracy. But perhaps the situation was different in Central America.

Mr. Sepulveda said that Mexico wanted to isolate the far left in El Salvador. The mainstream of the opposition forces was not necessarily violent. If they could be brought into the democratic system perhaps progress would be possible. The Prime Minister asked whether he was equating the far left with the guerrillas. Mr. Sepulveda replied that there were several different factions. But the opposition included a political front which would not be regarded in Europe as left-wing. This body of opinion wanted to participate in the political process. But the activities of an extreme and very violent right-wing regime had forced into the opposition even the Christian Democrats. If the extreme left could be isolated, some guerrillas would remain, but they would be few and would have little support - so violence could in the end be eliminated. The difficulty was to persuade all parties to accept this. He believed that President Reagan was beginning to be convinced that this was the right course. The authority given to Ambassador Stone to have discussions with the opposition forces was very important.

Nicaragua was also a big problem. Following its revolution, it was in the process of social change. But it had no political institutions. Dictatorship over a long period had prevented an electoral system and political parties from developing. It badly needed help to begin to build such institutions. Mexico was trying to ensure that the militarist tendency of the Nicaraguan regime was restrained and political institutions were created so that there could be a national process of social and economic

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change without foreign intervention. Mexico was opposed to any Soviet or Cuban presence in Central America. The objectives of Mexico, the United States, the United Kingdom and many others were identical, but Mexico needed help.

The Prime Minister repeated her concern about Nicaragua. If it had had a dictatorship in the past, it certainly had one now. Nicaragua was clearly a channel for aid to the guerrillas in El Salvador.

On another matter, there was still a problem between Belize and Guatemala. It ought to be soluble by dialogue, but we were not making progress. Mr. Ure commented that there would be another round of talks in early July, but it was too early to say whether they would make progress.

In response to a remark by the Prime Minister, Mr. Sepulveda agreed that the present regime in Guatemala might not last long. With regard to Belize, the sooner there was a settlement with Guatemala, the better. It appeared that President Rios Montt was more open than his predecessors to a suitable settlement. The Prime Minister commented that it was difficult to be sure that any arrangement would be accepted by a successor Guatemalan government.

Reverting to Central America, she was sure that Communist subversion was the basic problem. The extreme left and the extreme right both amounted to dictatorship. The language of revolution was always the same. The revolutionaries claimed to be working for the interests of the people, but in power always became a centrally-controlled dictatorship. The Mexican approach, which put on the countries of the region the onus of sorting out their problems, seemed excellent provided it was not blocked by those whose sole purpose was to extend their own power through subversion. She believed in absolute opposition to violence.

Mr. Sepulveda said that early results were not to be expected from the Mexican approach. But he believed that

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Nicaragua could be influenced. The regime would have to choose whether its nationalist revolution was to survive or whether it was to be eliminated altogether from the political scene. If the regime was wise enough to opt for political compromise, it might survive. If it did not, violence could spread beyond its borders.

Mr. Ure asked whether those opposed to the regime were dominated by the Somicistas. Mr. Sepulveda replied that there were undoubtedly Somicistas operating from Honduras. Recently there had appeared in Costa Rica a group which had wished to be totally independent, but it had collapsed because it lacked the necessary financial and military resources. In Nicaragua itself there were other sources of opposition - the Church, the press and the private sector - and these were not influenced by the Somicistas. The regime ought to be able to establish a political dialogue with these sectors. But because of the armed conflict the regime was becoming more radical. Mexico did not favour that trend and was trying to influence the regime. A compromise, based on the holding of elections in 1985, was possible. A number of Latin American countries were helping Nicaragua to draft laws on the electoral process and on political parties.

The Prime Minister observed that a true democratic process required an impartial and independent legal system. In Britain, the development of common law and equity had been essential to freedom long before we had established a truly democratic system.

Mr. Sepulveda said that he was a great admirer of sound political and legal institutions. But they were a feature of developed societies. In Central America, under-development prevailed. This was more a political than an economic concept. Political under-development in the area was very striking indeed. Costa Rica apart, the other four Central American countries had no political institutions. Mexico itself had developed such institutions only in the last fifty years or so.

The Prime Minister reiterated her support for the efforts of the Contadora group. But she was wary of those who resorted

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to violence and wary of the undertakings they gave. Any agreements reached had to be truly verifiable and subject to sanctions if they were broken. Mr. Sepulveda said that he was cautiously optimistic about the prospects. But if armed conflict developed, there would be no possibility of bringing about peace and stability.

The Prime Minister asked how the Sicartsa steel mill was progressing. Mr. Sepulveda replied that, despite the economic difficulties, the government had decided that the project should continue though perhaps at a slightly lower level.

In conclusion, the Prime Minister asked that her warm regards should be conveyed to President de la Madrid.

The discussion ended at 1110 hours.

A. J. C.

28 June 1983