

PRIME MINISTER

MEETING WITH PRESIDENT OF MEXICO

You are to have a meeting with President Salinas on Thursday afternoon at the Elysée.

Salinas is young, technocratic, English-speaking and has got off to a flying start (although he was only narrowly elected). He has tackled corruption and drugs and followed sensible economic policies (inflation down from 180% to 20%). He is busy privatizing and diversifying, and has liberalized the rules on foreign investment. He was a close associate and adviser to de la Madrid.

Our bilateral relations don't amount to much, although we are a substantial investor (much of it James Goldsmith!). Our main current interest is the negotiation of a bilateral drugs agreement. His main concern is debt and the current negotiations on debt reduction. The latest signs are that these will be completed, and it is US banks rather than British banks who are now the main obstacle. You can welcome the progress made. If he mentions a bridging loan, you will want to say that is a matter for Central Banks.

I think the best we can hope for is a generally sunny meeting, with you praising the steps he is taking to liberalize the Mexican economy and deal with the drugs problem. You could agree on the objectives of increasing British investment and concluding a drugs agreement. On the investment side, Alan Clark is due to visit Mexico in the autumn (as is the Foreign Secretary). You could discuss the outlook for oil prices and the prospects for the Economic Summit. If there is time, you might ask his assessment of Menem in Argentina.

A fuller note is in the folder.

C.D.?

(C.D. POWELL)

11 July 1989

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PRIME MINISTER

MINISTER OF DEFENSE

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