

PREM 19/3762

Confidential filing.

Relations with Latin America

FOREIGN POLICY

June
July 1982.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
2-8-82							
26-8-82							
15-9-82							
4-10-82							
6-10-82							
25-10-82							
30-9-84							
4-9-91							
6-9-91							
4-10-91							
21-11-91							
28-11-91							
27-2-92							

PREM 19/3762

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cc pc



MINISTRY OF DEFENCE
WHITEHALL LONDON SW1A 2HB
Telephone 071-21 82111/3

SECRETARY OF STATE

file

MO 18/1/1J

28th February 1992

John

copy attached

Thank you for sending me a copy of your letter of 19th February to Douglas Hurd, about proposed safeguards under Additional Protocol I of the Treaty of Tlatelolco.

I can confirm that we are meeting our existing obligations under Protocol I, and that I have no objection to the conclusion of the proposed safeguards agreement.

I am sending a copy of this letter to the Prime Minister, Douglas Hurd and to Sir Robin Butler.

Tom King

Tom King

The Rt Hon John Wakeham MP
Secretary of State for Energy



CONFIDENTIAL

For Pa: Rel's with
Late America
June 22





CCPC

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FCS/92/049

SECRETARY OF STATE FOR ENERGY

File

Treaty of Tlatelolco: Proposed Safeguards Agreement
Under Additional Protocol I

1. Thank you for your letter of 19 February. I am glad to agree to the conclusion of this proposed safeguards agreement, on the timing which you suggest, subject to Tom King's similar agreement.

2. As you say, it falls to my Department to pursue the legislative requirements for implementation of the agreement in the Territories concerned. This is now being done. You will understand that it may take some time before everything is in place in all eight Territories, thus enabling the agreement to enter into force. We shall of course keep you informed as to progress. Meanwhile, the fact of the conclusion of the agreement will go some way towards fulfilling an international obligation which has been outstanding for some time and which will make a modest contribution towards strengthening the international non-proliferation regime.

/3.

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3. I am copying this minute to the Prime Minister,
Tom King and Sir Robin Butler.

DH.

(DOUGLAS HURD)

Foreign and Commonwealth Office
27 February 1992

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THE RT HON JOHN WAKEHAM MP

ca/pe



Department of Energy
1 Palace Street
London SW1E 5HE
071 238 3290

File

The Rt Hon Douglas Hurd CBE MP
Secretary of State for Foreign and
Commonwealth Affairs
Downing Street
LONDON
SW1A 2AH

19 February 1992

Dear Douglas,

**TREATY OF TLATELOLCO: PROPOSED SAFEGUARDS AGREEMENT UNDER
ADDITIONAL PROTOCOL I**

The Treaty of Tlatelolco, concluded in Mexico in 1967, aims to prohibit the development, deployment or use of nuclear weapons in Latin America. Under Additional Protocol I, which the UK ratified in 1968, the United Kingdom have foregone the weapons-related use of nuclear weapons in the territories for which we are responsible within the Treaty's zone of application. These are the Falkland Islands, South Georgia, South Sandwich Islands, the Cayman Islands, the Turks and Caicos Islands, the British Virgin Islands, Anguilla and Montserrat. This Protocol also obliges us to conclude a safeguards agreement with the International Atomic Energy Agency (IAEA) in respect of those territories. Since they are subject to the Euratom Treaty, the Community must also be a party. I am now writing to seek your approval for the conclusion of such an agreement.

For some time my officials, in consultation with yours, and in conjunction with the Commission, have been engaged in negotiations with the IAEA's Secretariat. I attach a copy of the text which has been agreed ad referendum, subject to minor drafting points. (Those outstanding are indicated in manuscript). The text follows established models. I believe that we can accept it. Although we have no nuclear material in these territories, and so far as I know are not likely ever to have, we have a long-standing obligation to conclude this agreement, and it makes a modest contribution to strengthening the international non-proliferation regime.

The only sensitive point is that my officials have insisted that, should any nuclear material ever be transferred from these territories to the United Kingdom proper, it should be subject here only to our existing "voluntary offer" safeguards agreement.

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They resisted pressure from the Agency Secretariat that we should, like the USA, agree that any such material should be subject to full inspection by the Agency. If we had accepted the Secretariat's view, not only should we have been unable to use such material for defence purposes, but should not have been able to transfer such material to France, without requiring the French to bring it under full IAEA inspection. This would be contrary to our Community obligations to maintain free transfers within the Single Market.

Our retention of the right to use this material for defence purposes may be challenged in the Board of Governors; I believe that we can defend it by pointing to:

- i. our objective of having all nuclear material in the United Kingdom subject to a single Safeguards Agreement; and
- ii. our obligations as a member of the Community.

Officials will naturally canvass support with the USA and with Community partners.

The proposed safeguards agreement does not, of itself, affect MOD's ability to deploy nuclear-powered or nuclear-armed war ships in the Treaty's zone of application. It assumes however that, in accordance with our obligations under Protocol I, we do not have any nuclear weapons-related uses in any of the territories affected. MOD officials agreed some time ago that we should start negotiations. I should be grateful if Tom King could now confirm that he has no objection to the conclusion of the Agreement.

We cannot send to the IAEA the notification which will bring the Agreement into force until the necessary legislation has been passed in the territories involved. I understand that responsibility for securing this falls to your Department.

Although the Agreement is not subject to ratification, I would propose that it should be laid before Parliament and inform the House once it is signed, after discussion in the IAEA Board, but before it is brought into force.

I think that our objective should be to bring the Agreement before the June meeting of the IAEA Board. I do not think that we should allow a longer gap from the conclusion of the Argentina-Brazil Safeguards Agreement in December. Given the time needed for the Community to approve the Agreement, may I ask for your approval to the United Kingdom's doing so by 28 February?

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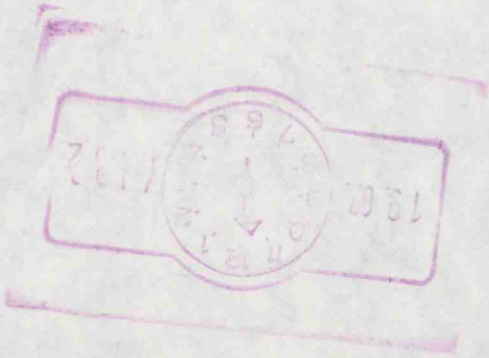


I am sending copies of this letter to the Prime Minister,
Tom King and Sir Robin Butler.

Tom King
John

JOHN WAKEHAM

CONFIDENTIAL



53331

29 November 1991

Amended 21 Jan 1992.

DRAFT

AGREEMENT BETWEEN
THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND,
THE EUROPEAN ATOMIC ENERGY COMMUNITY
AND THE INTERNATIONAL ATOMIC ENERGY AGENCY FOR THE
APPLICATION OF SAFEGUARDS IN CONNECTION WITH
THE TREATY FOR THE PROHIBITION OF
NUCLEAR WEAPONS IN LATIN AMERICA

WHEREAS the United Kingdom of Great Britain and Northern Ireland (hereinafter referred to as the "United Kingdom") is a party to Additional Protocol I of the Treaty for the Prohibition of Nuclear Weapons in Latin America (hereinafter referred to as "the Tlatelolco Treaty") opened for signature at Mexico City on 14 February 1967;

WHEREAS Additional Protocol I of the Tlatelolco Treaty states, inter alia, that its parties have agreed to "undertake to apply the statute of denuclearization in respect of warlike purposes as defined in Articles 1, 3, 5 and 13 of the Treaty for the Prohibition of Nuclear Weapons in Latin America in territories for which, de jure or de facto, they are internationally responsible and which lie within the limits of the geographical zone established in that Treaty" (hereinafter referred to as "Protocol I territories");

WHEREAS Article 13 of the Tlatelolco Treaty states, inter alia, that "Each Contracting Party shall negotiate multilateral or bilateral agreements with the International Atomic Energy Agency for the application of its safeguards to its nuclear activities";

WHEREAS the United Kingdom is a party to the Treaty establishing the European Atomic Energy Community (hereinafter referred to as "the Community"), by virtue of which Treaty institutions of that Community exercise in their own right, in those areas for which they are competent, regulatory, executive and judicial powers which may take effect directly within the legal systems of the Member States;

WHEREAS the Treaty establishing the European Atomic Energy Community is applicable to non-European territories, including the Protocol I territories, under the jurisdiction of the United Kingdom;

WHEREAS, within this institutional framework, the Community has in particular the task of ensuring, through appropriate safeguards, that nuclear materials are not diverted to uses other than those for which they were intended;

WHEREAS these safeguards include declaration to the Community of the basic technical characteristics of nuclear facilities, maintenance and submission of operating records to permit nuclear materials accounting for the Community as a whole, inspections by officials of the Community, and a system of sanctions;

WHEREAS the Community has the task of establishing with other countries and international organizations such relations as will foster progress in the peaceful uses of nuclear energy and is expressly authorized to assume particular safeguarding obligations in an agreement concluded with a third State or an international organization;

WHEREAS the International Atomic Energy Agency (hereinafter referred to as "the Agency") is authorized, pursuant to Article III of its Statute, to conclude such agreements;

WHEREAS the United Kingdom in implementation of its obligations under Article 1 of Additional Protocol I of the Tlatelolco Treaty undertakes in this Agreement to accept the application of the safeguards of the Agency to all peaceful nuclear activities within the United Kingdom Protocol I territories;

NOTING the nature of the Agreement of 5 April 1973 and of the Protocol thereto between Belgium, Denmark, the Federal Republic of Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, the Community and the Agency;

WHEREAS it is the desire of the Agency and the Community ^{having regard to the need} to avoid unnecessary duplication of safeguards activities, ^{to cooperate in the application} of safeguards;

NOW, THEREFORE, the United Kingdom, the Community and the Agency have agreed as follows:

P A R T I

BASIC UNDERTAKING

A r t i c l e 1

The United Kingdom undertakes to accept safeguards, in accordance with the terms of this Agreement, on all source or special fissionable material in all peaceful nuclear activities within the United Kingdom Protocol I territories for the exclusive purpose of verifying that such material is not diverted to nuclear weapons or other nuclear explosive devices.

APPLICATION OF SAFEGUARDS

A r t i c l e 2

The Agency shall have the right and the obligation to ensure that safeguards will be applied, in accordance with the terms of this Agreement, on all source or special fissionable material in all peaceful nuclear activities within the United Kingdom Protocol I territories for the exclusive purpose of verifying that such material is not diverted to nuclear weapons or other nuclear explosive devices.

A r t i c l e 3

- (a) The Community shall, in applying its safeguards on source and special fissionable material in all peaceful nuclear activities within the United Kingdom Protocol I territories, co-operate with the Agency in accordance with the terms of this Agreement, with a view to ascertaining that such source and special fissionable material is not diverted to nuclear weapons or other nuclear explosive devices.
- (b) The Agency shall apply safeguards, in accordance with the terms of this Agreement, in such a manner as to enable it to verify, in ascertaining that there has been no diversion of such nuclear material from peaceful uses to nuclear weapons or other nuclear explosive devices, findings of the Community's system of safeguards. The Agency's verification shall include, inter alia, independent measurements and observations conducted by the Agency in accordance with the procedures specified in this Agreement. The Agency, in its verification, shall take due account of the effectiveness of the Community's system of safeguards in accordance with the terms of this Agreement.

CO-OPERATION BETWEEN THE UNITED KINGDOM, THE COMMUNITY AND THE AGENCY

A r t i c l e 4

The United Kingdom, the Community and the Agency shall co-operate, insofar as each Party is concerned, to facilitate the implementation of the safeguards provided for in this Agreement and shall avoid unnecessary duplication of safeguards activities.

IMPLEMENTATION OF SAFEGUARDS

Article 5

The safeguards provided for in this Agreement shall be implemented in a manner designed:

- (a) To avoid hampering the economic and technological development of the United Kingdom Protocol I territories or international co-operation in the field of peaceful nuclear activities, including international exchange of nuclear material;
- (b) To avoid undue interference in peaceful nuclear activities of the United Kingdom Protocol I territories, and in particular in the operation of facilities; and
- (c) To be consistent with prudent management practices required for the economic and safe conduct of nuclear activities.

Article 6

- (a) The Agency shall take every precaution to protect commercial and industrial secrets and other confidential information coming to its knowledge in the implementation of this Agreement.
- (b) (i) The Agency shall not publish or communicate to any State, organization or person any information obtained by it in connection with the implementation of this Agreement, except that specific information relating to the implementation thereof may be given to the Board of Governors of the Agency (hereinafter referred to as "the Board") and to such Agency staff members as require such knowledge by reason of their official duties in connection with safeguards, but only to the extent necessary for the Agency to fulfil its responsibilities in implementing this Agreement.
- (ii) Summarized information on nuclear material subject to safeguards under this Agreement may be published upon decision of the Board if the United Kingdom or the Community, insofar as either Party is individually concerned, agrees thereto.

Article 7

- (a) In implementing safeguards pursuant to this Agreement, full account shall be taken of technological developments in the field of safeguards, and every effort shall be made to ensure optimum cost-effectiveness and the application of the principle of safeguarding effectively the flow of nuclear material subject to safeguards under this Agreement by use of instruments and other techniques at certain strategic points to the extent that present or future technology permits.
- (b) In order to ensure optimum cost-effectiveness, use shall be made, for example, of such means as:
 - (i) Containment as a means of defining material balance areas for accounting purposes;

- (ii) Statistical techniques and random sampling in evaluating the flow of nuclear material; and
- (iii) Concentration of verification procedures on those stages in the nuclear fuel cycle involving the production, processing, use or storage of nuclear material from which nuclear weapons or other nuclear explosive devices could readily be made, and minimization of verification procedures in respect of other nuclear material, on condition that this does not hamper the implementation of this Agreement.

PROVISION OF INFORMATION TO THE AGENCY

A r t i c l e 8

- (a) In order to ensure the effective implementation of safeguards under this Agreement, the Community shall, in accordance with the provisions set out in this Agreement, provide the Agency with information concerning nuclear material subject to safeguards under this Agreement and the features of facilities relevant to safeguarding such material.
- (b)
 - (i) The Agency shall require only the minimum amount of information and data consistent with carrying out its responsibilities under this Agreement.
 - (ii) Information pertaining to facilities shall be the minimum necessary for safeguarding nuclear material subject to safeguards under this Agreement.
- (c) If the United Kingdom so requests, the Agency shall be prepared to examine on premises of the Community or of the United Kingdom Protocol I territories design information which the United Kingdom regards as being of particular sensitivity. Such information need not be physically transmitted to the Agency provided that it remains readily available for further examination by the Agency on such premises.

AGENCY INSPECTORS

A r t i c l e 9

- (a)
 - (i) The Agency shall secure the consent of the United Kingdom and the Community to the designation of Agency inspectors to the United Kingdom Protocol I territories.
 - (ii) If the United Kingdom or the Community, either upon proposal of a designation or at any other time after a designation has been made, objects to the designation, the Agency shall propose to the United Kingdom and the Community an alternative designation or designations.

- (iii) If, as a result of the repeated refusal of the United Kingdom or the Community to accept the designation of Agency inspectors, inspections to be conducted under this Agreement would be impeded, such refusal shall be considered by the Board, upon referral by the Director General of the Agency (hereinafter referred to as "the Director General"), with a view to its taking appropriate action.
- (b) The United Kingdom and the Community shall take the necessary steps to ensure that Agency inspectors can effectively discharge their functions under this Agreement.
- (c) The visits and activities of Agency inspectors shall be so arranged as:
- (i) To reduce to a minimum the possible inconvenience and disturbance to the United Kingdom Protocol I territories and the Community and to the peaceful nuclear activities inspected; and
 - (ii) To ensure protection of industrial secrets or any other confidential information coming to the knowledge of Agency inspectors.

PRIVILEGES AND IMMUNITIES

A r t i c l e 10

The United Kingdom shall apply to the Agency, including its property, funds and assets, and to its inspectors and other officials performing functions in each of the United Kingdom Protocol I territories under this Agreement, the relevant provisions of the Agreement on the Privileges and Immunities of the International Atomic Energy Agency.

TERMINATION OF SAFEGUARDS

A r t i c l e 11

Consumption or dilution of nuclear material

Safeguards under this Agreement shall terminate on nuclear material upon determination by the Community and the Agency that the material has been consumed, or has been diluted in such a way that it is no longer usable for any nuclear activity relevant from the point of view of safeguards, or has become practicably irrecoverable.

A r t i c l e 12

Transfer of nuclear material out of the United Kingdom Protocol I territories

The Community shall give the Agency advance notification of intended transfers of nuclear material subject to safeguards under this Agreement out

of United Kingdom Protocol I territories in accordance with the provisions set out in this Agreement. The Agency shall terminate safeguards on nuclear material under this Agreement when the recipient State has assumed responsibility therefor, as provided for in Part II of this Agreement. In the case of transfers out of the United Kingdom Protocol I territories of such nuclear material which is to remain the responsibility of the United Kingdom and the Community, the Agency shall terminate safeguards on the nuclear material under this Agreement when the material leaves the United Kingdom Protocol I territories, and shall thereupon make it subject to the 1976 Agreement between the United Kingdom of Great Britain and Northern Ireland, the European Atomic Energy Community and the Agency in Connection with the Treaty on the Non-Proliferation of Nuclear Weapons. The Agency shall maintain records indicating each transfer and, where applicable, the re-application of safeguards to the transferred nuclear material.

A r t i c l e 13

Provisions relating to nuclear material to be used in non-nuclear activities

If the United Kingdom wishes to use nuclear material subject to safeguards under this Agreement in non-nuclear activities, such as the production of alloys or ceramics, the Community shall agree with the Agency, before the material is so used, on the circumstances under which the safeguards on such material may be terminated.

FINANCE

A r t i c l e 14

Each Party shall bear its own expenses incurred in implementing its responsibilities under this Agreement. However, if the United Kingdom, the Community or persons under the jurisdiction of either of them, incur extraordinary expenses as a result of a specific request by the Agency, the Agency shall reimburse such expenses provided that it has agreed in advance to do so. In any case the Agency shall bear the cost of any additional measuring or sampling which Agency inspectors may request.

THIRD PARTY LIABILITY FOR NUCLEAR DAMAGE

A r t i c l e 15

The United Kingdom and the Community shall ensure that any protection against third party liability in respect of nuclear damage, including any insurance or other financial security which may be available under their laws or regulations, shall apply to the Agency and its officials for the purpose of the implementation of this Agreement, in the same way as that protection applies to nationals of the relevant United Kingdom Protocol I territory.

INTERNATIONAL RESPONSIBILITY

Article 16

Any claim by the United Kingdom or the Community against the Agency or by the Agency against the United Kingdom or the Community in respect of any damage resulting from the implementation of safeguards under this Agreement, other than damage arising out of a nuclear incident, shall be settled in accordance with international law.

MEASURES IN RELATION TO VERIFICATION OF NON-DIVERSION

Article 17

If the Board, upon report of the Director General, decides that an action by the United Kingdom or the Community is essential and urgent in order to ensure verification that nuclear material while subject to safeguards under this Agreement is not diverted to nuclear weapons or other nuclear explosive devices, the Board may call upon the United Kingdom or the Community, insofar as either Party is individually concerned, to take the required action without delay, irrespective of whether procedures have been invoked pursuant to Article 21 of this Agreement for the settlement of a dispute.

Article 18

If the Board, upon examination of relevant information reported to it by the Director General, finds that the Agency is not able to verify that there has been no diversion of nuclear material while required to be safeguarded under this Agreement to nuclear weapons or other nuclear explosive devices, it may make the reports provided for in paragraph C of Article XII of the Statute of the Agency (hereinafter referred to as "the Statute") and may also take, where applicable, the other measures provided for in that paragraph. In taking such action the Board shall take account of the degree of assurance provided by the safeguards measures that have been applied and shall afford the United Kingdom or the Community, insofar as either Party is individually concerned, every reasonable opportunity to furnish the Board with any necessary reassurance.

INTERPRETATION AND APPLICATION OF THE AGREEMENT
AND SETTLEMENT OF DISPUTES

Article 19

At the request of the United Kingdom, the Community or the Agency, there shall be consultation about any question arising out of the interpretation or application of this Agreement.

Article 20

The United Kingdom and the Community shall have the right to request that any question arising out of the interpretation or application of this Agreement be considered by the Board. The Board shall invite the United Kingdom and the Community to participate in the discussion of any such question by the Board.

A r t i c l e 21

Any dispute arising out of the interpretation or application of this Agreement, except a dispute with regard to a finding by the Board under Article 18 or an action taken by the Board pursuant to such a finding, which is not settled by negotiation or another procedure agreed to by the United Kingdom, the Community and the Agency shall, at the request of any one of them, be submitted to an arbitral tribunal composed of five arbitrators. The United Kingdom and the Community shall each designate one arbitrator, the Agency shall designate two arbitrators, and the four arbitrators so designated shall elect a fifth, who shall be the Chairman. If, within thirty days of the request for arbitration, the United Kingdom, the Community or the Agency shall have failed to make such a designation, the United Kingdom, the Community or the Agency may request the President of the International Court of Justice to make the designation. The same procedure shall apply if, within thirty days of the designation or appointment of the fourth arbitrator, the fifth arbitrator has not been elected. A majority of the members of the arbitral tribunal shall constitute a quorum, and all decisions shall require the concurrence of at least three arbitrators. The arbitral procedure shall be fixed by the tribunal. The decisions of the tribunal shall be binding on the United Kingdom, the Community and the Agency.

AMENDMENT OF THE AGREEMENT

A r t i c l e 22

- (a) The United Kingdom, the Community and the Agency shall, at the request of any of them, consult each other on amendment to this Agreement.
- (b) All amendments shall require the agreement of the United Kingdom, the Community and the Agency.
- (c) The Director General shall promptly inform all Member States of the Agency of any amendment to this Agreement.
- (d) The United Kingdom, the Community and the Agency shall agree on the date of entry into force of any such amendments.

ENTRY INTO FORCE AND DURATION

A r t i c l e 23

This Agreement shall enter into force one month after the Agency has received notification from both the United Kingdom and the Community that their respective internal requirements for entry into force have been met, and the Director General shall promptly notify the United Kingdom and the Community of the date on which it is to enter into force. The Director General shall also promptly inform all Member States of the Agency of the entry into force of this Agreement. This Agreement shall remain in force as long as the United Kingdom is party to Protocol I of the Tlatelolco Treaty.

P R O T O C O L S

A r t i c l e 24

The Protocols attached to this Agreement shall be an integral part thereof. The term "Agreement" as used in this instrument means the Agreement and the Protocols together.

P A R T II

I N T R O D U C T I O N

A r t i c l e 25

The purpose of this part of the Agreement is to specify the procedures to be applied in the implementation of the safeguards provisions of Part I.

O B J E C T I V E O F S A F E G U A R D S

A r t i c l e 26

The objective of the safeguards procedures set forth in this Agreement is the timely detection of diversion of significant quantities of nuclear material from peaceful nuclear activities to the manufacture of nuclear weapons or of other nuclear explosive devices or for purposes unknown, and deterrence of such diversion by the risk of early detection.

A r t i c l e 27

For the purpose of achieving the objective set forth in Article 26, material accountancy shall be used as a safeguards measure of fundamental importance, with containment and surveillance as important complementary measures.

A r t i c l e 28

The technical conclusion of the Agency's verification activities shall be a statement, in respect of each material balance area, of the amount of material unaccounted for over a specific period, and giving the limits of accuracy of the amounts stated.

T H E C O M M U N I T Y ' S S Y S T E M O F S A F E G U A R D S

A r t i c l e 29

Pursuant to Article 3 the Agency, in carrying out its verification activities, shall make full use of the Community's system of safeguards.

A r t i c l e 30

The Community's system of accounting for and control of all nuclear material subject to safeguards under this Agreement shall be based on a structure of material balance areas. The Community, in applying its safeguards, will make use of and, to the extent necessary, make provision for, as appropriate and specified in the Subsidiary Arrangements, such measures as:

- (a) A measurement system for the determination of the quantities of nuclear material received, produced, shipped, lost or otherwise removed from inventory, and the quantities on inventory;
- (b) The evaluation of precision and accuracy of measurements and the estimation of measurement uncertainty;
- (c) Procedures for identifying, reviewing and evaluating differences in shipper/receiver measurements;
- (d) Procedures for taking a physical inventory;
- (e) Procedures for the evaluation of accumulations of unmeasured inventory and unmeasured losses;
- (f) A system of records and reports showing, for each material balance area, the inventory of nuclear material and the changes in that inventory including receipts into and transfers out of the material balance area;
- (g) Provisions to ensure that the accounting procedures and arrangements are being operated correctly; and
- (h) Procedures for the provision of reports to the Agency in accordance with Articles 57 to 67.

STARTING POINT OF SAFEGUARDS

A r t i c l e 31

Safeguards under this Agreement shall not apply to material in mining or ore processing activities.

A r t i c l e 32

- (a) When any material containing uranium or thorium which has not reached the stage of the nuclear fuel cycle described in paragraph (c) is directly or indirectly exported from United Kingdom Protocol I territories to a non-nuclear-weapon State, the Community shall inform the Agency of its quantity, composition and destination, unless the material is exported for specifically non-nuclear purposes;
- (b) When any material containing uranium or thorium which has not reached the stage of the nuclear fuel cycle described in paragraph (c) is imported into United Kingdom Protocol I territories, the Community shall inform the Agency of its quantity and composition, unless the material is imported for specifically non-nuclear purposes; and
- (c) When any nuclear material of a composition and purity suitable for fuel fabrication or for isotopic enrichment leaves the plant or the process stage in which it has been produced, or when such nuclear material, or any other nuclear material produced at a later stage in the nuclear fuel cycle, is imported into United Kingdom Protocol I territories, the nuclear material shall become subject to the other safeguards procedures specified in this Agreement.

TERMINATION OF SAFEGUARDS

A r t i c l e 33

- (a) Safeguards shall terminate on nuclear material subject to safeguards under this Agreement, under the conditions set forth in Article 11. Where the conditions of that Article are not met, but the United Kingdom considers that the recovery of safeguarded nuclear material from residues is not for the time being practicable or desirable, the Community and the Agency shall consult on the appropriate safeguards measures to be applied.
- (b) Safeguards shall terminate on nuclear material subject to safeguards under this Agreement, under the conditions set forth in Article 12, in accordance with the provisions of Articles 89 to 92 inclusive.
- (c) Safeguards shall terminate on nuclear material subject to safeguards under this Agreement, under the conditions set forth in Article 13, provided that the Community and the Agency agree that such nuclear material is practicably irrecoverable.

EXEMPTIONS FROM SAFEGUARDS

A r t i c l e 34

At the request of the Community, who shall make such a request if so required by the United Kingdom, the Agency shall exempt nuclear material from safeguards under this Agreement as follows:

- (a) Special fissionable material, when it is used in gram quantities or less as a sensing component in instruments;
- (b) Nuclear material, when it is used in non-nuclear activities in accordance with Article 13, if such nuclear material is recoverable; and
- (c) Plutonium with an isotopic concentration of plutonium-238 exceeding 80%.

A r t i c l e 35

At the request of the Community, who shall make such a request if so required by the United Kingdom, the Agency shall exempt from safeguards under this Agreement nuclear material that would otherwise be subject to safeguards, provided that the total quantity of nuclear material which has been exempted in all the United Kingdom Protocol I territories in accordance with this Article may not at any time exceed:

- (a) One kilogram in total of special fissionable material, which may consist of one or more of the following:
 - (i) Plutonium;
 - (ii) Uranium with an enrichment of 0.2 (20%) and above, taken account of by multiplying its weight by its enrichment; and
 - (iii) Uranium with an enrichment below 0.2 (20%) and above that of natural uranium, taken account of by multiplying its weight by five times the square of its enrichment;
- (b) Ten metric tons in total of natural uranium and depleted uranium with an enrichment above 0.005 (0.5%);
- (c) Twenty metric tons of depleted uranium with an enrichment of 0.005 (0.5%) or below; and
- (d) Twenty metric tons of thorium;

or such greater amounts as may be specified by the Board for uniform application.

A r t i c l e 36

If exempted nuclear material is to be processed or stored together with nuclear material subject to safeguards under this Agreement, provision shall be made for the re-application of safeguards thereto.

SUBSIDIARY ARRANGEMENTS

A r t i c l e 37

In furtherance of this Agreement, the Community, represented by a delegation comprising representatives of the Commission of the European Communities and the United Kingdom, shall make with the Agency Subsidiary Arrangements which shall specify in detail, to the extent necessary to permit the Agency to fulfil its responsibilities under this Agreement in an effective and efficient manner, how the procedures laid down in this Agreement are to be applied. The entry into force of the Subsidiary Arrangements shall be subject to the agreement of the United Kingdom. The Subsidiary Arrangements may be extended or changed in the same manner without amendment of this Agreement.

A r t i c l e 38

Subject to the provisions of Article 37, the Subsidiary Arrangements shall enter into force at the same time as, or as soon as possible after, the entry into force of this Agreement. The United Kingdom, the Community and the Agency shall make every effort to achieve their entry into force within ninety days of the entry into force of this Agreement; an extension of that period shall require agreement between the United Kingdom, the Community and the Agency. The Community shall provide the Agency promptly with the information

required for completing the Subsidiary Arrangements. Upon the entry into force of this Agreement, the Agency shall have the right to apply the procedures laid down therein in respect of the nuclear material listed in the inventory provided for in Article 39, even if the Subsidiary Arrangements have not yet entered into force.

INVENTORY

Article 39

On the basis of the initial report referred to in Article 60, the Agency shall establish a unified inventory of all nuclear material in the United Kingdom Protocol I territories subject to safeguards under this Agreement, irrespective of its origin, and shall maintain this inventory on the basis of subsequent reports and of the results of its verification activities. Copies of the inventory shall be made available to the United Kingdom and to the Community at intervals to be agreed.

DESIGN INFORMATION

General provisions

Article 40

Pursuant to Article 8, design information in respect of existing facilities shall be provided to the Agency by the Community during the discussion of the Subsidiary Arrangements. The time limits for the provision of design information in respect of the new facilities shall be specified in the Subsidiary Arrangements and such information shall be provided as early as possible before nuclear material is introduced into a new facility.

Article 41

The design information to be provided to the Agency shall include, in respect of each facility referred to in Article 8, when applicable:

- (a) The identification of the facility, stating its general character, purpose, nominal capacity and geographic location, and the name and address to be used for routine business purposes;
- (b) A description of the general arrangement of the facility with reference, to the extent feasible, to the form, location and flow of nuclear material and to the general layout of important items of equipment which use, produce or process nuclear material;
- (c) A description of features of the facility relating to material accountancy, containment and surveillance; and
- (d) A description of the existing and proposed procedures at the facility for nuclear material accountancy and control, with special reference to material balance areas established by the operator, measurements of flow and procedures for physical inventory taking.

A r t i c l e 42

Other information relevant to the application of safeguards shall also be provided to the Agency in respect of each facility, in particular on organizational responsibility for material accountancy and control. The United Kingdom shall provide the Community and the Agency with supplementary information on the health and safety procedures which the Agency shall observe and with which the Agency inspectors shall comply at the facility.

A r t i c l e 43

The Agency shall be provided by the Community with design information in respect of a modification relevant for safeguards purposes, for examination, and shall be informed by the Community of any change in the information provided to it under Article 42, sufficiently in advance for the safeguards procedures to be adjusted when necessary.

A r t i c l e 44

Purposes of examination of design information

The design information provided to the Agency shall be used for the following purposes:

- (a) To identify the features of facilities and nuclear material relevant to the application of safeguards to nuclear material in sufficient detail to facilitate verification;
- (b) To determine material balance areas to be used for accounting purposes under this Agreement and to select those strategic points which are key measurement points and which will be used to determine flow and inventory of nuclear material; in determining such material balance areas the following criteria, inter alia, shall be used:
 - (i) The size of the material balance area shall be related to the accuracy with which the material balance can be established;
 - (ii) In determining the material balance area advantage shall be taken of any opportunity to use containment and surveillance to help ensure the completeness of flow measurements and thereby to simplify the application of safeguards and to concentrate measurement efforts at key measurement points;
 - (iii) A number of material balance areas in use at a facility or at distinct sites may be combined in one material balance area to be used for Agency accounting purposes when the Agency determines that this is consistent with its verification requirements; and

- (iv) A special material balance area may be established at the request of the United Kingdom or the Community around a process step involving commercially sensitive information;
- (c) To establish the nominal timing and procedures for taking of physical inventory of nuclear material for Agency accounting purposes;
- (d) To establish the records and reports requirements and records evaluation procedures;
- (e) To establish requirements and procedures for verification of the quantity and location of nuclear material; and
- (f) To select appropriate combinations of containment and surveillance methods and techniques and the strategic points at which they are to be applied.

The results of the examination of the design information shall be included in the Subsidiary Arrangements.

A r t i c l e 45

Re-examination of design information

At the request of any of the Parties to this Agreement, design information shall be re-examined by the Community, represented as prescribed in Article 37, and the Agency in the light of changes in operating conditions, of developments in safeguards technology or of experience in the application of verification procedures, with a view to modifying ~~the action the Agency has~~ taken pursuant to Article 44.

A r t i c l e 46

Verification of design information

The Agency, in co-operation with the United Kingdom and the Community, may send inspectors to facilities referred to in Article 8 to verify the design information provided to the Agency pursuant to Articles 40 to 43, for the purposes stated in Article 44.

INFORMATION IN RESPECT OF NUCLEAR MATERIAL OUTSIDE FACILITIES

A r t i c l e 47

The Agency shall be provided by the Community with the following information when nuclear material subject to safeguards under this Agreement is to be customarily used in United Kingdom Protocol I territories outside facilities, as applicable:

- (a) A general description of the use of the nuclear material, its geographic location, and the user's name and address for routine business purposes; and

- (b) A general description of the existing and proposed procedures for nuclear material accountancy and control, including organizational responsibility for material accountancy and control.

The Agency shall be informed by the Community, on a timely basis, of any change in the information provided to it under this Article.

A r t i c l e 48

The information provided to the Agency pursuant to Article 47 may be used, to the extent relevant, for the purposes set out in Article 44(b)-(f).

RECORDS SYSTEM

General provisions

A r t i c l e 49

Records shall be kept in respect of each material balance area, determined in accordance with Article 44(b). The records to be kept and the person responsible for them shall be specified in the Subsidiary Arrangements.

A r t i c l e 50

The United Kingdom shall make arrangements to facilitate the examination of records by Agency inspectors.

A r t i c l e 51

Records shall be retained for at least five years.

A r t i c l e 52

Records shall consist, as appropriate, of:

- (a) Accounting records of all nuclear material subject to safeguards under this Agreement; and
- (b) Operating records for facilities containing such nuclear material.

A r t i c l e 53

The system of measurements on which the records used for the preparation of reports are based shall either conform to the latest international standards or be equivalent in quality to such standards.

Accounting records

A r t i c l e 54

The accounting records shall set forth the following in respect of each material balance area:

- (a) All inventory changes, so as to permit a determination of the book inventory at any time;
- (b) All measurement results that are used for determination of the physical inventory; and
- (c) All adjustments and corrections that have been made in respect of inventory changes, book inventories and physical inventories.

A r t i c l e 55

For all inventory changes and physical inventories the records shall show, in respect of each batch of nuclear material subject to safeguards under this Agreement: material identification, batch data and source data. The records shall account for uranium, thorium and plutonium separately in each batch of nuclear material. For each inventory change, the date of the inventory change and, when appropriate, the originating material balance area and the receiving material balance area or the recipient, shall be indicated.

A r t i c l e 56

Operating records

The operating records shall set forth, as appropriate, in respect of each material balance area:

- (a) Those operating data which are used to establish changes in the quantities and composition of nuclear material;
- (b) The data obtained from the calibration of tanks and instruments and from sampling and analyses, the procedures to control the quality of measurements and the derived estimates of random and systematic error;
- (c) A description of the sequence of the actions taken in preparing for, and in taking, a physical inventory, in order to ensure that it is correct and complete; and
- (d) A description of the actions taken in order to ascertain the cause and magnitude of any accidental or unmeasured loss that might occur.

REPORTS SYSTEM

General provisions

A r t i c l e 57

The Community shall provide the Agency with reports as detailed in Articles 58 to 63 and 65 to 67 in respect of nuclear material subject to safeguards under this Agreement.

A r t i c l e 58

Reports shall be made in English.

A r t i c l e 59

Reports shall be based on the records kept in accordance with Articles 49 to 56 and shall consist, as appropriate, of accounting reports and special reports.

Accounting reports

A r t i c l e 60

The Agency shall be provided by the Community with an initial report on all nuclear material subject to safeguards under this Agreement. The initial report shall be dispatched by the Community to the Agency within thirty days of the last day of the calendar month in which this Agreement enters into force, and shall reflect the situation as of the last day of that month.

A r t i c l e 61

The Community shall provide the Agency with the following accounting reports for each material balance area:

- (a) Inventory change reports showing all changes in the inventory of nuclear material. The reports shall be dispatched as soon as possible and in any event within the time limits specified in the Subsidiary Arrangements; and
- (b) Material balance reports showing the material balance based on a physical inventory of nuclear material actually present in the material balance area. The reports shall be dispatched as soon as possible and in any event within the time limits specified in the Subsidiary Arrangements.

The reports shall be based on data available as of the date of reporting and may be corrected at a later date, as required.

A r t i c l e 62

Inventory change reports shall specify identification and batch data for each batch of nuclear material, the date of the inventory change and, as appropriate, the originating material balance area and the receiving material balance area or the recipient. These reports shall be accompanied by concise notes:

- (a) Explaining the inventory changes, on the basis of the operating data contained in the operating records provided for under Article 56(a); and
- (b) Describing, as specified in the Subsidiary Arrangements, the anticipated operational programme, particularly the taking of a physical inventory.

Article 63

The Community shall report each inventory change, adjustment and correction, either periodically in a consolidated list or individually. Inventory changes shall be reported in terms of batches. As specified in the Subsidiary Arrangements, small changes in inventory of nuclear material, such as transfers of analytical samples, may be combined in one batch and reported as one inventory change.

Article 64

The Agency shall provide the Community and the United Kingdom with semi-annual statements of book inventory of nuclear material subject to safeguards under this Agreement, for each material balance area, as based on the inventory change reports for the period covered by each such statement.

Article 65

Material balance reports shall include the following entries, unless otherwise agreed in the Subsidiary Arrangements:

- (a) Beginning physical inventory;
- (b) Inventory changes (first increases, then decreases);
- (c) Ending book inventory; .
- (d) Shipper/receiver differences;
- (e) Adjusted ending book inventory;
- (f) Ending physical inventory; and
- (g) Material unaccounted for.

A statement of the physical inventory, listing all batches separately and specifying material identification and batch data for each batch, shall be attached to each material balance report.

Article 66

Special reports

The Community shall make special reports without delay:

- (a) If any unusual incident or circumstances lead the Community to believe that there is or may have been loss of nuclear material subject to safeguards under this Agreement that exceeds the limits specified for this purpose in the Subsidiary Arrangements; or
- (b) If the containment has unexpectedly changed from that specified in the Subsidiary Arrangements to the extent that unauthorized removal of nuclear material subject to safeguards under this Agreement has become possible.

Article 67

Amplification and clarification of reports

If the Agency so requests, the Community shall provide it with amplifications or clarifications of any report, in so far as relevant for the purpose of safeguards.

INSPECTIONS

Article 68

General provisions

The Agency shall have the right to make inspections as provided for in this Agreement.

Purposes of inspections

Article 69

The Agency may make ad hoc inspections in order to:

- (a) Verify the information contained in the initial report on the nuclear material subject to safeguards under this Agreement;
- (b) Identify and verify changes in the situation which have occurred between the date of the initial report and the date of entry into force of the Subsidiary Arrangements in respect of a given facility; and
- (c) Identify, and if possible verify the quantity and composition of, such nuclear material in accordance with Articles 92 and 94, before its transfer out of or upon its transfer into the United Kingdom Protocol I territories.

Article 70

The Agency may make routine inspections in order to:

- (a) Verify that reports are consistent with records;
- (b) Verify the location, identity, quantity and composition of all nuclear material subject to safeguards under this Agreement; and
- (c) Verify information on the possible causes of material unaccounted for, shipper/receiver differences and uncertainties in the book inventory.

Article 71

Subject to the procedures laid down in Article 75, the Agency may make special inspections:

- (a) In order to verify the information contained in special reports; or

- (b) If the Agency considers that information made available by the Community and the United Kingdom, including explanations from the Community and the United Kingdom and information obtained from routine inspections, is not adequate for the Agency to fulfil its responsibilities under this Agreement.

An inspection shall be deemed to be special when it is either additional to the routine inspection effort provided for in Articles 76 to 80 or involves access to information or locations in addition to the access specified in Article 74 for ad hoc and routine inspections, or both.

Scope of inspections

A r t i c l e 72

For the purposes specified in Articles 69 to 71, the Agency may:

- (a) Examine the records kept pursuant to Articles 49 to 56;
- (b) Make independent measurements of all nuclear material subject to safeguards under this Agreement;
- (c) Verify the functioning and calibration of instruments and other measuring and control equipment;
- (d) Apply and make use of surveillance and containment measures; and
- (e) Use other objective methods which have been demonstrated to be technically feasible.

A r t i c l e 73

Within the scope of Article 72, the Agency shall be enabled:

- (a) To observe that samples at key measurement points for material balance accountancy are taken in accordance with procedures which produce representative samples, to observe the treatment and analysis of the samples and to obtain duplicates of such samples;
- (b) To observe that the measurements of nuclear material at key measurement points for material balance accountancy are representative, and to observe the calibration of the instruments and equipment involved;
- (c) To make arrangements with the Community and, to the extent necessary, with the United Kingdom to provide that, if necessary:
 - (i) Additional measurements are made and additional samples taken for the Agency's use;
 - (ii) The Agency's standard analytical samples are analysed;
 - (iii) Appropriate absolute standards are used in calibrating instruments and other equipment; and
 - (iv) Other calibrations are carried out;

- (d) To arrange to use its own equipment for independent measurement and surveillance, and if so agreed and specified in the Subsidiary Arrangements, to arrange to install such equipment;
- (e) To apply its seals and other identifying and tamper-indicating devices to containments, if so agreed and specified in the Subsidiary Arrangements; and
- (f) To make arrangements with the United Kingdom or the Community for the shipping of samples taken for the Agency's use.

Access for inspections

A r t i c l e 74

- (a) For the purposes specified in Article 69(a) and (b) and until such time as the strategic points have been specified in the Subsidiary Arrangements, Agency inspectors shall have access to any location where the initial report or any inspections carried out in connection with it indicate that nuclear material is present;
- (b) For the purposes specified in Article 69(c), Agency inspectors shall have access to any location of which the Agency has been notified in accordance with Articles 91(d)(iii) or 93(d)(iii);
- (c) For the purposes specified in Article 70, Agency inspectors shall have access only to the strategic points specified in the Subsidiary Arrangements and to the records maintained pursuant to Articles 49 to 56; and
- (d) In the event of the United Kingdom or the Community concluding that any unusual circumstances require extended limitations on access by the Agency, the United Kingdom and the Community and the Agency shall promptly make arrangements with a view to enabling the Agency to discharge its safeguards responsibilities in the light of these limitations. The Director General shall report each such arrangement to the Board.

A r t i c l e 75

In circumstances which may lead to special inspections for the purposes specified in Article 71, the United Kingdom, the Community and the Agency shall consult forthwith. As a result of such consultations the Agency may:

- (a) Make inspections in addition to the routine inspection effort provided for in Articles 76 to 80; and
- (b) Obtain access, in agreement with the United Kingdom and the Community, to information or locations in addition to those specified in Article 74. Any disagreement concerning the need for additional access shall be resolved in accordance with Articles 20 and 21; in case action by the United Kingdom or the Community, insofar as either party is individually concerned, is essential and urgent, Article 17 shall apply.

Frequency and intensity of routine inspections

A r t i c l e 76

The Agency shall keep the number, intensity, and duration of routine inspections, applying optimum timing, to the minimum consistent with the effective implementation of the safeguards procedures set forth in this Agreement, and shall make, under this Agreement, the optimum and most economical use of ~~inspection~~ resources available to it.

A r t i c l e 77

The Agency may carry out one routine inspection per year in respect of facilities and material balance areas outside facilities with a content or annual throughput, whichever is greater, of nuclear material not exceeding five effective kilograms.

A r t i c l e 78

The number, intensity, duration, timing and mode of routine inspections in respect of facilities with a content or annual throughput of nuclear material exceeding five effective kilograms shall be determined on the basis that in the maximum or limiting case the inspection regime shall be no more intensive than is necessary and sufficient to maintain continuity of knowledge of the flow and inventory of nuclear material, and the maximum routine inspection effort in respect of such facilities shall be determined as follows:

- (a) For reactors and sealed storage installations the maximum total of routine inspection per year shall be determined by allowing one sixth of a man-year of inspection for each such facility;
- (b) For facilities, other than reactors or sealed storage installations, involving plutonium or uranium enriched to more than 5%, the maximum total of routine inspection per year shall be determined by allowing for each such facility $30 \times \sqrt{E}$ man-days of inspection per year, where E is the inventory or annual throughput of nuclear material, whichever is greater, expressed in effective kilograms. The maximum established for any such facility shall not, however, be less than 1.5 man-years of inspection; and
- (c) For facilities not covered by paragraphs (a) or (b), the maximum total of routine inspection per year shall be determined by allowing for each such facility one third of a man-year of inspection plus $0.4 \times E$ man-days of inspection per year, where E is the inventory or annual throughput of nuclear material, whichever is greater, expressed in effective kilograms.

The United Kingdom, the Community and the Agency may agree to amend the figures for the maximum inspection effort specified in this Article, upon determination by the Board that such amendment is reasonable.

A r t i c l e 79

Subject to Articles 76 to 78, the criteria to be used for determining the actual number, intensity, duration, timing and mode of routine inspections in respect of any facility shall include:

- (a) The form of the nuclear material, in particular, whether the nuclear material is in bulk form or contained in a number of separate items; its chemical composition and, in the case of uranium, whether it is of low or high enrichment; and its accessibility;
- (b) The effectiveness of the Community's safeguards, including the extent to which the operators of facilities are functionally independent of the Community's safeguards; the extent to which the measures specified in Article 30 have been implemented by the Community; the promptness of reports provided to the Agency; their consistency with the Agency's independent verification; and the amount and accuracy of the material unaccounted for, as verified by the Agency;
- (c) Characteristics of the United Kingdom's nuclear fuel cycle in United Kingdom Protocol I territories, in particular, the number and types of facilities containing nuclear material subject to safeguards, the characteristics of such facilities relevant to safeguards, notably the degree of containment; the extent to which the design of such facilities facilitates verification of the flow and inventory of nuclear material; and the extent to which information from different material balance areas can be correlated;
- (d) International interdependence, in particular, the extent to which nuclear material is received from or sent to other States for use or processing; any verification activities by the Agency in connection therewith; and the extent to which nuclear activities in United Kingdom Protocol I territories are interrelated with those of other States outside of United Kingdom Protocol I territories; and
- (e) Technical developments in the field of safeguards, including the use of statistical techniques and random sampling in evaluating the flow of nuclear material.

A r t i c l e 80

The United Kingdom, the Community and the Agency shall consult if the United Kingdom or the Community considers that the inspection effort is being deployed with undue concentration on particular facilities.

Notice of inspections

A r t i c l e 81

The Agency shall give advance notice to the Community and to the United Kingdom before arrival of Agency inspectors at facilities or material balance areas outside facilities, as follows:

- (a) For ad hoc inspections pursuant to Article 69(c), at least 24 hours; for those pursuant to Article 69(a) and (b) as well as the activities provided for in Article 46, at least one week;

- (b) For special inspections pursuant to Article 71, as promptly as possible after the United Kingdom, the Community and the Agency have consulted as provided for in Article 75, it being understood that notification of arrival will normally have been considered during those consultations; and
- (c) For routine inspections pursuant to Article 70, at least 24 hours in respect of the facilities referred to in Article 78(b) and sealed storage installations containing plutonium or uranium enriched to more than 5%, and one week in all other cases.

Such notice of inspections shall include the names of the Agency inspectors and shall indicate the facilities and the material balance areas outside facilities to be visited and the periods during which they will be visited. If the Agency inspectors are to arrive from outside the United Kingdom Protocol I territories, the Agency shall also give advance notice of the place and time of their arrival in such territories.

A r t i c l e 82

Notwithstanding the provisions of Article 81, the Agency may, as a supplementary measure, carry out without advance notification a portion of the routine inspections pursuant to Article 78 in accordance with the principle of random sampling. In performing any unannounced inspections, the Agency shall fully take into account any operational programme provided to it pursuant to Article 62(b). Moreover, whenever practicable, and on the basis of the operational programme, it shall advise the United Kingdom and the Community periodically of its general programme of announced and unannounced inspections, specifying the general periods when inspections are foreseen. In carrying out any unannounced inspections, the Agency shall make every effort to minimize any practical difficulties for the Community, for the United Kingdom and for facility operators, bearing in mind the relevant provisions of Articles 42 and 87. Similarly the United Kingdom and the Community shall make every effort to facilitate the task of Agency inspectors.

Designation of Agency inspectors

A r t i c l e 83

The following procedures shall apply to the designation of Agency inspectors:

- (a) The Director General shall inform the United Kingdom and the Community in writing of the name, qualifications, nationality, grade and such other particulars as may be relevant, of each Agency official he proposes for designation as an Agency inspector for United Kingdom Protocol I territories;
- (b) The United Kingdom and the Community shall inform the Director General within thirty days of the receipt of such a proposal whether the proposal is accepted;
- (c) The Director General may designate each official who has been accepted by the United Kingdom and the Community as one of the Agency inspectors for United Kingdom Protocol I territories, and shall inform the United Kingdom and the Community of such designations; and

- (d) The Director General, acting in response to a request by the United Kingdom or the Community or on his own initiative, shall immediately inform the United Kingdom and the Community of the withdrawal of the designation of any official as an Agency inspector for United Kingdom Protocol I territories.

However, in respect of Agency inspectors needed for the activities provided for in Article 46 and to carry out ad hoc inspections pursuant to Article 69(a) and (b), the designation procedures shall be completed if possible within thirty days after the entry into force of this Agreement. If such designation appears impossible within this time limit, Agency inspectors for such purposes shall be designated on a temporary basis.

A r t i c l e 84

The United Kingdom shall grant or renew as quickly as possible appropriate visas, where required, for each Agency inspector designated for United Kingdom Protocol I territories.

Conduct and visits of Agency inspectors

A r t i c l e 85

Agency inspectors, in exercising their functions under Articles 46 and 69 to 73, shall carry out their activities in a manner designed to avoid hampering or delaying the construction, commissioning or operation of facilities, or affecting their safety. In particular Agency inspectors shall not operate any facility themselves or direct the staff of a facility to carry out any operation. If Agency inspectors consider that in pursuance of Articles 72 and 73, particular operations in a facility should be carried out by the operator, they shall make a request therefor.

A r t i c l e 86

When Agency inspectors require services available in the United Kingdom Protocol I territories, including the use of equipment, in connection with the performance of inspections, the United Kingdom and the Community shall facilitate the procurement of such services and the use of such equipment by Agency inspectors.

A r t i c l e 87

The Community and the United Kingdom shall have the right to have Agency inspectors accompanied during their inspections by Community inspectors and by representatives of the United Kingdom, provided that Agency inspectors shall not thereby be delayed or otherwise impeded in the exercise of their functions.

STATEMENTS ON THE AGENCY'S VERIFICATION ACTIVITIES

A r t i c l e 88

The Agency shall inform the United Kingdom and the Community of:

- (a) The results of its inspections, at intervals to be specified in the Subsidiary Arrangements; and

- (b) The conclusions it has drawn from its verification activities in the United Kingdom Protocol I territories, in particular by means of statements in respect of each material balance area, which shall be made as soon as possible after a physical inventory has been taken and verified by the Agency and a material balance has been struck.

INTERNATIONAL TRANSFERS

Article 89

General provisions

Nuclear material subject or required to be subject to safeguards under this Agreement which is transferred into or out of the United Kingdom Protocol I territories shall, for purposes of this Agreement, be regarded as being the responsibility of the Community and of the United Kingdom:

- (a) In the case of imports into United Kingdom Protocol I territories from other States, from the time that such responsibility ceases to lie with the exporting State, and no later than the time at which the material reaches its destination; and
- (b) In the case of exports out of United Kingdom Protocol I territories to other States, up to the time at which the recipient State assumes such responsibility, and no later than the time at which the nuclear material reaches its destination.

The point at which the transfer of responsibility will take place shall be determined in accordance with suitable arrangements to be made by the Community and the United Kingdom, on the one hand, and the State to which or from which the nuclear material is transferred, on the other hand. Neither the Community, the United Kingdom nor any other State shall be deemed to have such responsibility for nuclear material merely by reason of the fact that the nuclear material is in transit on or over its territory, or that it is being transported on a ship under its flag or in its aircraft.

Article 90

- (a) Nuclear material subject to safeguards under this Agreement may be transferred or retransferred out of United Kingdom Protocol I territories to a State, other than the United Kingdom (including the territories to which the 1976 Agreement between the United Kingdom and the Community and the Agency applies) or another Member State of the Community, only if:
 - (i) It is returned to the State that originally supplied it, provided that if any special fissionable material has been produced through the use of that nuclear material, such produced material is:
 - (1) retained in United Kingdom Protocol I territories or returned to United Kingdom Protocol I territories; or
 - (2) subject to Agency safeguards in that State or in any other State to which such produced material is transferred; or
 - (ii) It will be subject to Agency safeguards in the State to which it will be transferred.

- (b) Nuclear material subject to safeguards under this Agreement may, in accordance with paragraph (c), be transferred out of United Kingdom Protocol I territories to the United Kingdom (including the territories to which the 1976 Agreement between the United Kingdom and the Community and the Agency applies) or to another Member State of the Community.
- (c) Any nuclear material subject to safeguards under this Agreement which is transferred outside the United Kingdom Protocol I territories pursuant to paragraph (b) shall be subject to the 1976 Agreement between the United Kingdom, the Community and the Agency, the 1973 Agreement between the Community, its Non-Nuclear Weapon Member States and the Agency or the 1978 Agreement between the Community, France and the Agency, as appropriate, and to any further Agreement amending or replacing in whole or in part any of the above-mentioned Agreements.

Transfers out of United Kingdom Protocol I territories

A r t i c l e 91

- (a) The Community shall notify the Agency of any intended transfer out of United Kingdom Protocol I territories of nuclear material subject to safeguards under this Agreement, if the shipment exceeds one effective kilogram, or if, within a period of three months, several separate shipments are to be made to the same State, each of less than one effective kilogram but the total exceeds one effective kilogram.
- (b) Such notification shall be given to the Agency after the conclusion of the contractual arrangements leading to the transfer and normally at least two weeks before the nuclear material is to be prepared for shipping.
- (c) The Agency and the Community may agree on different procedures for advance notification.
- (d) The notification shall specify:
 - (i) The identification and, if possible, the expected quantity and composition of the nuclear material to be transferred, and the material balance area from which it will come;
 - (ii) The State for which the nuclear material is destined;
 - (iii) The dates on and locations at which the nuclear material is to be prepared for shipping;
 - (iv) The approximate dates of dispatch and arrival of the nuclear material; and
 - (v) For transfers of nuclear material which will not remain the responsibility of the United Kingdom and the Community, at what point of the transfer the recipient State will assume responsibility for the nuclear material for the purpose of this Agreement, and the probable date on which that point will be reached.

A r t i c l e 92

The notification referred to in Article 91 shall be such as to enable the Agency to make, if necessary, an ad hoc inspection to identify, and if possible verify the quantity and composition of, the nuclear material before it is transferred out of the United Kingdom Protocol I territories and, if the Agency so wishes or the Community so requests, to affix seals to the nuclear material when it has been prepared for shipping. However, the transfer of the nuclear material shall not be delayed in any way by any action taken or contemplated by the Agency pursuant to such a notification.

Transfers into United Kingdom Protocol I territories

A r t i c l e 93

- (a) The Community shall notify the Agency of any expected transfer into United Kingdom Protocol I territories of nuclear material required to be subject to safeguards under this Agreement if the shipment exceeds one effective kilogram, or if, within a period of three months, several separate shipments are to be received from the same State, each of less than one effective kilogram but the total of which exceeds one effective kilogram.
- (b) The Agency shall be notified as much in advance as possible of the expected arrival of the nuclear material in a United Kingdom Protocol I territory, and in any case not later than the date on which the nuclear material arrives, or the date on which the United Kingdom and the Community assume responsibility for the nuclear material if it is being transferred from outside the United Kingdom into a United Kingdom Protocol I territory.
- (c) The Agency and the Community may agree on different procedures for advance notification.
- (d) The notification shall specify:
 - (i) The identification and, if possible, the expected quantity and composition of the nuclear material;
 - (ii) If the nuclear material is being transferred from outside the United Kingdom, at what point of the transfer the United Kingdom and the Community will assume responsibility for the nuclear material for the purpose of this Agreement, and the probable date on which that point will be reached; and
 - (iii) The expected date of arrival, the location where, and the date on which, the nuclear material is intended to be unpacked.

A r t i c l e 94

The notification referred to in Article 93 shall be such as to enable the Agency to make, if necessary, an ad hoc inspection to identify, and if possible verify the quantity and composition of, the nuclear material at the time the consignment is unpacked. However, unpacking shall not be delayed by any action taken or contemplated by the Agency pursuant to such a notification.

A r t i c l e 95

Special reports

The Community shall make a special report as envisaged in Article 66 if any unusual incident or circumstances lead the Community to believe that there is or may have been loss of nuclear material, including the occurrence of significant delay, during an international transfer.

D E F I N I T I O N S

A r t i c l e 96

For the purposes of this Agreement:

(1) Community means the legal person created by the Treaty establishing the European Atomic Energy Community (EURATOM), Party to this Agreement. Where by virtue of this Agreement notice has been given or any communication sent to the Community, it shall be sufficiently given or sent if given or sent to the Commission of the European Communities.

(2) A. Adjustment means an entry into an accounting record or a report showing a shipper/receiver difference or material unaccounted for.

B. Annual throughput means, for the purposes of Articles 77 and 78, the amount of nuclear material transferred annually out of a facility working at nominal capacity.

C. Batch means a portion of nuclear material handled as a unit for accounting purposes at a key measurement point and for which the composition and quantity are defined by a single set of specifications or measurements. The nuclear material may be in bulk form or contained in a number of separate items.

D. Batch data means the total weight of each element of nuclear material and, in the case of plutonium and uranium, the isotopic composition when appropriate. The units of account shall be as follows:

- (a) Grams of contained plutonium;
- (b) Grams of total uranium and grams of contained uranium-235 plus uranium-233 for uranium enriched in these isotopes; and
- (c) Kilograms of contained thorium, natural uranium or depleted uranium.

For reporting purposes the weights of individual items in the batch shall be added together before rounding to the nearest unit.

E. Book inventory of a material balance area means the algebraic sum of the most recent physical inventory of that material balance area and of all inventory changes that have occurred since that physical inventory was taken.

F. Correction means an entry into an accounting record or a report to rectify an identified mistake or to reflect an improved measurement of a quantity previously entered into the record or report. Each correction must identify the entry to which it pertains.

G. Effective kilogram means a special unit used in safeguarding nuclear material. The quantity in effective kilograms is obtained by taking:

- (a) For plutonium, its weight in kilograms;
- (b) For uranium with an enrichment of 0.01 (1%) and above, its weight in kilograms multiplied by the square of its enrichment;

- (c) For uranium with an enrichment below 0.01 (1%) and above 0.005 (0.5%), its weight in kilograms multiplied by 0.0001; and
- (d) For depleted uranium with an enrichment of 0.005 (0.5%) or below, and for thorium, its weight in kilograms multiplied by 0.00005.

H. Enrichment means the ratio of the combined weight of the isotopes uranium-233 and uranium-235 to that of the total uranium in question.

I. Facility means:

- (a) A reactor, a critical facility, a conversion plant, a fabrication plant, a reprocessing plant, an isotope separation plant or a separate storage installation; or
- (b) Any location where nuclear material in amounts greater than one effective kilogram is customarily used.

J. Inventory change means an increase or decrease, in terms of batches, of nuclear material in a material balance area; such a change shall involve one of the following:

(a) Increases:

- (i) Import;
- (ii) Domestic receipt: receipts from other material balance areas, receipts from a non-safeguarded (non-peaceful) activity or receipts at the starting point of safeguards;
- (iii) Nuclear production: production of special fissionable material in a reactor; and
- (iv) De-exemption: re-application of safeguards on nuclear material previously exempted therefrom on account of its use or quantity.

(b) Decreases:

- (i) Export;
- (ii) Domestic shipment: shipments to other material balance areas or shipments for a non-safeguarded (non-peaceful) activity;
- (iii) Nuclear loss: loss of nuclear material due to its transformation into other element(s) or isotope(s) as a result of nuclear reactions;
- (iv) Measured discard: nuclear material which has been measured, or estimated on the basis of measurements, and disposed of in such a way that it is not suitable for further nuclear use;
- (v) Retained waste: nuclear material generated from processing or from an operational accident, which is deemed to be unrecoverable for the time being but which is stored;

- (vi) Exemption: exemption of nuclear material from safeguards on account of its use or quantity; and
- (vii) Other loss: for example, accidental loss (that is, irretrievable and inadvertent loss of nuclear material as the result of an operational accident) or theft.

K. Key measurement point means a location where nuclear material appears in such a form that it may be measured to determine material flow or inventory. Key measurement points thus include, but are not limited to, the inputs and outputs (including measured discards) and storages in material balance areas.

L. Man-year of inspection means, for the purposes of Article 78, 300 man-days of inspection, a man-day being a day during which a single inspector has access to a facility at any time for a total of not more than eight hours.

M. Material balance area means an area in or outside of a facility such that:

- (a) The quantity of nuclear material in each transfer into or out of each material balance area can be determined; and
- (b) The physical inventory of nuclear material in each material balance area can be determined when necessary, in accordance with specified procedures,

in order that the material balance for Agency safeguards purposes can be established.

N. Material unaccounted for means the difference between book inventory and physical inventory.

O. Nuclear material means any source or any special fissionable material as defined in Article XX of the Statute. The term source material shall not be interpreted as applying to ore or ore residue. Any determination by the Board under Article XX of the Statute after the entry into force of this Agreement which adds to the materials considered to be source material or special fissionable material shall have effect under this Agreement only upon acceptance by the United Kingdom and the Community.

P. Physical inventory means the sum of all the measured or derived estimates of batch quantities of nuclear material on hand at a given time within a material balance area, obtained in accordance with specified procedures.

Q. Shipper/receiver difference means the difference between the quantity of nuclear material in a batch as stated by the shipping material balance area and as measured at the receiving material balance area.

R. Source data means those data, recorded during measurement or calibration or used to derive empirical relationships, which identify nuclear material and provide batch data. Source data may include, for example, weight of compounds, conversion factors to determine weight of element, specific gravity, element concentration, isotopic ratios, relationship between volume and manometer readings and relationship between plutonium produced and power generated.

S. Strategic point means a location selected during examination of design information where, under normal conditions and when combined with the information from all strategic points taken together, the information necessary and sufficient for the implementation of safeguards measures is obtained and verified; a strategic point may include any location where key measurements related to material balance accountancy are made and where containment and surveillance measures are executed.

T. United Kingdom Protocol I territories means those territories for which, de jure or de facto, the United Kingdom is internationally responsible and which lie within the limits of the geographical zone established in Article 4 of the Tlatelolco Treaty.

DONE at Vienna, on the _____ day of _____ 19 _____,
in triplicate, in the English language.

For the UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND:

For the INTERNATIONAL ATOMIC
ENERGY AGENCY:

For the EUROPEAN ATOMIC ENERGY COMMUNITY:

P R O T O C O L 1

The United Kingdom of Great Britain and Northern Ireland (hereinafter referred to as the "United Kingdom"), the European Atomic Energy Community (hereinafter referred to as the "Community") and the International Atomic Energy Agency (hereinafter referred to as "the Agency") have agreed as follows:

- I. (A) Until such time as United Kingdom Protocol I territories have, in peaceful nuclear activities,
- (1) Nuclear material in quantities exceeding the limits stated, for the type of material in question, in Article 34 of the Agreement between the United Kingdom, the Community and the Agency for the Application of Safeguards in Connection with the Treaty for the Prohibition of Nuclear Weapons in Latin America (hereinafter referred to as "the Agreement"), or
 - (2) Nuclear material in a facility as defined in the Definitions,
- the implementation of the provisions of Part II of the Agreement shall be held in abeyance, with the exception of Articles 31, 32, 37, 40 and 89.
- (B) The information to be reported pursuant to paragraphs (a) and (b) of Article 32 of the Agreement may be consolidated and submitted in an annual report; similarly, an annual report shall be submitted, if applicable, with respect to the import and export of nuclear material described in paragraph (c) of Article 32.
- (C) In order to enable the timely conclusion of the Subsidiary Arrangements provided for in Article 37 of the Agreement, the Community shall notify the Agency sufficiently in advance of having nuclear material in peaceful nuclear activities in United Kingdom Protocol I territories in quantities that exceed the limits or six months before nuclear material is to be introduced into a facility, as referred to in Section (A) hereof, whichever occurs first. At such time, procedures for co-operation in the application of the safeguards provided for under the Agreement shall be agreed upon, as necessary, between the United Kingdom, the Community and the Agency.

II. This Protocol shall be signed by the representatives of the United Kingdom, the Community and the Agency and shall enter into force on the same date as the Agreement.

DONE at Vienna, on the _____ day of _____ 19____,
in triplicate, in the English language.

For the UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND:

For the INTERNATIONAL ATOMIC
ENERGY AGENCY:

For the EUROPEAN ATOMIC ENERGY COMMUNITY:

P R O T O C O L 2

The United Kingdom of Great Britain and Northern Ireland (hereinafter referred to as "the United Kingdom"), the European Atomic Energy Community (hereinafter referred to as "the Community") and the International Atomic Energy Agency (hereinafter referred to as "the Agency") have agreed as follows:

- I. At such time as the Community notifies the Agency in accordance with Section I(C) of Protocol 1 of this Agreement that there is nuclear material in peaceful nuclear activities in United Kingdom Protocol I territories in quantities that exceed the limits referred to in Section I(A)(1) of Protocol 1 of this Agreement or that nuclear material is to be introduced into a facility, as referred to in Section I(A)(2) of Protocol 1 of this Agreement, whichever occurs first, a Protocol for procedures for co-operation in the application of the safeguards provided for under the Agreement shall be agreed upon between the United Kingdom, the Community and the Agency. Such procedure will amplify certain provisions of the Agreement and, in particular, specify the conditions and means according to which the co-operation referred to above shall be implemented in such a way as to avoid unnecessary duplication of safeguards activities. The procedures shall be, to the extent practicable, based upon those then in force under Protocols to, and the subsidiary arrangements of, other safeguards agreements between Member States of the Community, the Community and the Agency, including the related special understandings agreed upon by the Community and the Agency.
- II. This Protocol shall be signed by the representatives of the United Kingdom, the Community and the Agency and shall enter into force on the same date as the Agreement.

DONE in Vienna, on the _____ day of _____ 1991, in triplicate, in the English language.

For the UNITED KINGDOM OF GREAT
BRITAIN AND NORTHERN IRELAND:

For the INTERNATIONAL
ATOMIC ENERGY AGENCY:

For the EUROPEAN ATOMIC ENERGY
COMMUNITY:



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PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. 5297/91

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

2 December 1991

1 Year President Gaitan,

SUBJECT
MASTER
OPS
FILED ON:

I am grateful to you for writing to me on 24 September about the Multilateral Investment Fund, one of the instruments of the Enterprise for the Americas Initiative announced by President Bush in June 1990.

The British Government welcomes the Initiative. We recognise the great changes that have taken place in Latin America over the past few years. Given the important role which the private sector has to play in Latin America, we are ensuring that our own private sector knows of the opportunities and encouraging them to participate fully. We also recognise the role of governments and have supported, and are helping to finance, increases in the resources of the multilateral development banks: namely the World Bank, the Inter-American Development Bank and the Caribbean Development Bank. For the same reason we support the European Community's rapidly growing aid programmes in the region, to which we of course contribute. We have also increased our bilateral aid to Latin America.

I very much hope that with the substantial pledges already made, the Multilateral Investment Fund will be successful. But, given what we are already doing in Latin America and other pressing demands on our aid programme, I regret that I cannot undertake to make a direct British contribution to the MIF. I

J

can however assure you that we shall continue to support the objectives of the Enterprise for the Americas Initiative both in our bilateral aid programme and in our participation in the work of the European Community and other multilateral aid channels.

Yours Sincerely,
John Major

His Excellency Dr. Cesar Gaviria Trujillo



ce

Foreign &
Commonwealth
Office

28 November 1991

London SW1A 2AH

From The Secretary of State

Dear Stephen,

Enterprise for the Americas Initiative

President Gaviria of Colombia has written to the Prime Minister urging that the United Kingdom should make a contribution to the Multilateral Investment Fund (MIF). This follows similar letters from the President of Ecuador, Mexico and Venezuela which the Prime Minister has now answered (your letter of ^{14th} 21 November). My letter of 4 October gave the background.

/ I now enclose a further draft message from the Prime Minister to send to President Gaviria. It is identical to those to the Presidents of Ecuador, Mexico and Venezuela.

Yours ever,
S L Gass

(S L Gass)

Private Secretary

J S Wall Esq
10 Downing Street

DRAFT LETTER FROM THE PRIME MINISTER

TO: His Excellency
President César Gaviria Trujillo
President of Colombia

me

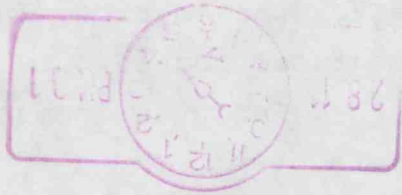
I am grateful to you for writing to me on 24 September about the Multilateral Investment Fund, one of the instruments of the Enterprise for the Americas Initiative announced by President Bush in June 1990.

The British Government welcomes the Initiative. We recognise the great changes that have taken place in Latin America over the past few years. Given the important role which the private sector has to play in Latin America, we are ensuring that our own private sector knows of the opportunities and encouraging them to participate fully. We also recognise the role of governments and have supported, and are helping to finance, increases in the resources of the multilateral development banks: namely the World Bank, the Inter-American Development Bank and the Caribbean Development Bank. For the same reason we support the European Community's rapidly growing aid programmes in the region, to which we of course contribute. We have also increased our bilateral aid to Latin America.

I very much hope that with the substantial pledges already made, the Multilateral Investment Fund will be successful. But, given what we are already doing in Latin America and other pressing demands on our aid programme, I regret that I cannot undertake to make a direct British contribution to the MIF. I can however

assure you that we shall continue to support the objectives of the Enterprise for the Americas Initiative both in our bilateral aid programme and in our participation in the work of the European Community and other multilateral aid channels.

For Pol: Relations
with Latin America. June



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MDLIAN 7630

PRIME MINISTER'S
PERSONAL MESSAGE

SERIAL No. 7291/91

SUBJECT
MASTER
OPS
FILED ON:

RESTRICTED
FM ODA
TO PRIORITY CARACAS
TELNO MODEV 002
OF 271715Z NOVEMBER 91
INFO ROUTINE FCO

1. PLEASE DELIVER FOLLOWING MESSAGE TO PRESIDENT PEREZ.

NOVEMBER 27, 1991

BEGIN TEXT:-

DEAR MR. PRESIDENT

I AM GRATEFUL TO YOU FOR WRITING TO ME AT THE END OF AUGUST ABOUT THE MULTILATERAL INVESTMENT FUND, ONE OF THE INSTRUMENTS OF THE ENTERPRISE FOR THE AMERICAS INITIATIVE ANNOUNCED BY PRESIDENT BUSH IN JUNE 1990.

THE BRITISH GOVERNMENT WELCOMES THE INITIATIVE. WE RECOGNISE THE GREAT CHANGES THAT HAVE TAKEN PLACE IN LATIN AMERICA OVER THE PAST FEW YEARS. GIVEN THE IMPORTANT ROLE WHICH THE PRIVATE SECTOR HAS TO PLAY IN LATIN AMERICA, WE ARE ENSURING THAT OUR OWN PRIVATE SECTOR KNOWS OF THE OPPORTUNITIES AND ENCOURAGING THEM TO PARTICIPATE FULLY. WE ALSO RECOGNISE THE ROLE OF GOVERNMENTS AND ARE HELPING TO FINANCE INCREASES IN THE RESOURCES OF THE MULTILATERAL DEVELOPMENT BANKS:- NAMELY THE WORLD BANK, THE INTER-AMERICAN DEVELOPMENT BANK AND THE CARIBBEAN DEVELOPMENT BANK. FOR THE SAME REASON WE SUPPORT THE EUROPEAN COMMUNITY'S RAPIDLY GROWING AID PROGRAMMES IN THE REGION, TO WHICH WE OF COURSE CONTRIBUTE. WE HAVE ALSO INCREASED OUR BILATERAL AID TO LATIN AMERICA.

I VERY MUCH HOPE THAT WITH THE SUBSTANTIAL PLEDGES ALREADY MADE, THE MULTILATERAL INVESTMENT FUND WILL BE SUCCESSFUL. BUT, GIVEN WHAT WE ARE ALREADY DOING IN LATIN AMERICA AND THE OTHER PRESSING DEMANDS ON OUR AID PROGRAMME, I REGRET THAT I CANNOT UNDERTAKE TO MAKE A DIRECT BRITISH CONTRIBUTION TO THE MIF. I CAN, HOWEVER, ASSURE YOU THAT WE SHALL CONTINUE TO SUPPORT THE OBJECTIVES OF THE ENTERPRISE FOR THE AMERICAS INITIATIVE BOTH IN OUR BILATERAL AID PROGRAMME AND IN OUR PARTICIPATION IN THE WORK OF THE EUROPEAN COMMUNITY AND OTHER MULTILATERAL AID CHANNELS.

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SINCERELY
JOHN MAJOR

MESSAGE ENDS.

2. THERE WILL BE NO SIGNED COPY.

3. FOR YOUR OWN INFORMATION, PM. WANTED REPLY TO SIMILAR MESSAGE FROM PRESIDENT BUSH DELAYED UNTIL AFTER HANDLING OF SENSITIVE VIETNAM BOAT PEOPLE ISSUE HAD BEEN RESOLVED. REPLY IN SIMILAR TERMS TO ABOVE HAS NOW BEEN SENT TO PRESIDENT BUSH, AND TO PRESIDENTS OF MEXICO AND ECUADOR.

HURD.

YYYY

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PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 290/91

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MDLIAN 7628

SUBJECT

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~~FILED ON:~~

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RESTRICTED
FM ODA
TO PRIORITY MEXICO CITY
TELNO MODEV 021
OF 271659Z NOVEMBER 91
INFO ROUTINE FCO

1. PLEASE DELIVER FOLLOWING MESSAGE TO PRESIDENT SALINAS.

NOVEMBER 27, 1991

BEGIN TEXT

DEAR MR. PRESIDENT

I AM GRATEFUL TO YOU FOR WRITING TO ME AT THE END OF AUGUST ABOUT THE MULTILATERAL INVESTMENT FUND, ONE OF THE INSTRUMENTS OF THE ENTERPRISE FOR THE AMERICAS INITIATIVE ANNOUNCED BY PRESIDENT BUSH IN JUNE 1990.

THE BRITISH GOVERNMENT WELCOMES THE INITIATIVE. WE RECOGNISE THE GREAT CHANGES THAT HAVE TAKEN PLACE IN LATIN AMERICA OVER THE PAST FEW YEARS. GIVEN THE IMPORTANT ROLE WHICH THE PRIVATE SECTOR HAS TO PLAY IN LATIN AMERICA, WE ARE ENSURING THAT OUR OWN PRIVATE SECTOR KNOWS OF THE OPPORTUNITIES AND ENCOURAGING THEM TO PARTICIPATE FULLY. WE ALSO RECOGNISE THE ROLE OF GOVERNMENTS AND ARE HELPING TO FINANCE INCREASES IN THE RESOURCES OF THE MULTILATERAL DEVELOPMENT BANKS:- NAMELY THE WORLD BANK, THE INTER-AMERICAN DEVELOPMENT BANK AND THE CARIBBEAN DEVELOPMENT BANK. FOR THE SAME REASON WE SUPPORT THE EUROPEAN COMMUNITY'S RAPIDLY GROWING AID PROGRAMMES IN THE REGION, TO WHICH WE OF COURSE CONTRIBUTE. WE HAVE ALSO INCREASED OUR BILATERAL AID TO LATIN AMERICA.

I VERY MUCH HOPE THAT WITH THE SUBSTANTIAL PLEDGES ALREADY MADE, THE MULTILATERAL INVESTMENT FUND WILL BE SUCCESSFUL. BUT, GIVEN WHAT WE ARE ALREADY DOING IN LATIN AMERICA AND THE OTHER PRESSING DEMANDS ON OUR AID PROGRAMME, I REGRET THAT I CANNOT UNDERTAKE TO MAKE A DIRECT BRITISH CONTRIBUTION TO THE MIF. I CAN, HOWEVER, ASSURE YOU THAT WE SHALL CONTINUE TO SUPPORT THE OBJECTIVES OF THE ENTERPRISE FOR THE AMERICAS INITIATIVE BOTH IN OUR BILATERAL AID PROGRAMME AND IN OUR PARTICIPATION IN THE WORK OF THE EUROPEAN COMMUNITY AND OTHER MULTILATERAL AID CHANNELS.

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JOHN MAJOR

MESSAGE ENDS.

2. THERE WILL BE NO SIGNED COPY.

3. FOR YOUR OWN INFORMATION, PM. WANTED REPLY TO SIMILAR MESSAGE FROM PRESIDENT BUSH DELAYED UNTIL AFTER HANDLING OF SENSITIVE VIETNAM BOAT PEOPLE ISSUE HAD BEEN RESOLVED. REPLY IN SIMILAR TERMS TO ABOVE HAS NOW BEEN SENT TO PRESIDENT BUSH, AND TO PRESIDENTS OF ECUADOR AND VENEZUELA.

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PRIME MINISTER RESTRICTED

PERSONAL MESSAGE

SERIAL No T 289/91

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MDLIAN 7627

SUBJECT

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FM ODA LONDON
TO PRIORITY WASHINGTON
TELNO MODEV 012
OF 271648Z NOVEMBER 91
INFO. ROUTINE FCO LONDON

1. PLEASE DELIVER THE FOLLOWING MESSAGE TO PRESIDENT BUSH FROM
PRIME MINISTER MAJOR:-

NOVEMBER 27 1991

BEGIN TEXT

THANK YOU FOR YOUR LETTER OF 4 SEPTEMBER ABOUT THE ENTERPRISE FOR
THE AMERICAS INITIATIVE WHICH YOU ANNOUNCED IN JUNE 1990.

I WELCOME THE PRINCIPLES UNDERLYING YOUR INITIATIVE. WE NEED TO
RESPOND POSITIVELY TO THE CHANGES WHICH HAVE TAKEN PLACE IN LATIN
AMERICA. I SHARE THE OBJECTIVES WHICH YOU SET OUT FOR IMPROVING THE
BASIS ON WHICH LATIN AMERICAN AND CARIBBEAN COUNTRIES CAN
PARTICIPATE FULLY IN THE WORLD ECONOMY. WE AGREE THE PRIVATE SECTOR
HAS AN IMPORTANT ROLE:- WE HAVE TAKEN ACTION TO ENSURE THAT OUR OWN
PRIVATE SECTOR IS AWARE OF THE CHANGES UNDER WAY IN LATIN AMERICA,
AND TO ENCOURAGE THEM TO PARTICIPATE FULLY.

WE ALSO RECOGNISE THE ROLE OF GOVERNMENTS AND FOR THIS REASON HAVE
SUPPORTED, AND ARE HELPING TO FINANCE, INCREASES IN THE RESOURCES
OF THE RELEVANT MULTILATERAL DEVELOPMENT BANKS:- NAMELY THE WORLD
BANK, THE INTER-AMERICAN DEVELOPMENT BANK AND THE CARIBBEAN
DEVELOPMENT BANK. FOR THE SAME REASON WE SUPPORT THE EUROPEAN
COMMUNITY'S RAPIDLY GROWING AID PROGRAMMES IN THE REGION, TO WHICH
WE OF COURSE CONTRIBUTE. WE HAVE ALSO INCREASED OUR BILATERAL AID
TO LATIN AMERICA.

I VERY MUCH HOPE THAT WITH THE SUBSTANTIAL PLEDGES ALREADY MADE,
THE IMF WILL BE SUCCESSFUL. BUT GIVEN WHAT WE ARE ALREADY DOING IN
LATIN AMERICA AND THE OTHER PRESSING DEMANDS ON OUR AID PROGRAMME,
I REGRET I CANNOT UNDERTAKE TO MAKE A DIRECT BRITISH CONTRIBUTION.
WE SHALL, OF COURSE, SEEK TO SUPPORT THE OBJECTIVES OF THE
ENTERPRISE FOR THE AMERICAS INITIATIVE, BOTH THROUGH OUR BILATERAL
AID PROGRAMME AND THROUGH THE EC AND OTHER MULTILATERAL AID
CHANNELS.

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JOHN

MESSAGE ENDS.

2. THERE WILL BE NO SIGNED COPY.

3. FOR YOUR OWN INFORMATION, PM WANTED REPLY DELAYED UNTIL AFTER HANDLING OF SENSITIVE VIETNAM BOAT PEOPLE ISSUE HAD BEEN RESOLVED.

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PRIME MINISTER'S RESTRICTED

PERSONAL MESSAGE

SERIAL No. T288/91

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FM ODA LONDON
TO PRIORITY QUITO
TELNO MODEV 41
OF 271630Z NOVEMBER 1991
INFO ROUTINE FCO LONDON

SUBJECT

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~~FILED ON:~~

file

1.
PLEASE DELIVER FOLLOWING MESSAGE TO PRESIDENT BORJA:

NOVEMBER 27, 1991
BEGIN TEXT :

DEAR MR PRESIDENT

I AM GRATEFUL TO YOU FOR WRITING TO ME AT THE END OF AUGUST ABOUT THE MULTILATERAL INVESTMENT FUND, ONE OF THE INSTRUMENTS OF THE ENTERPRISE FOR THE AMERICAS INITIATIVE ANNOUNCED BY PRESIDENT BUSH IN JUNE 1990.

THE BRITISH GOVERNMENT WELCOMES THE INITIATIVE. WE RECOGNISE THE GREAT CHANGES THAT HAVE TAKEN PLACE IN LATIN AMERICA OVER THE PAST FEW YEARS. GIVEN THE IMPORTANT ROLE WHICH THE PRIVATE SECTOR HAS TO PLAY IN LATIN AMERICA, WE ARE ENSURING THAT OUR OWN PRIVATE SECTOR KNOWS OF THE OPPORTUNITIES AND ENCOURAGING THEM TO PARTICIPATE FULLY. WE ALSO RECOGNISE THE ROLE OF GOVERNMENTS AND ARE HELPING TO FINANCE INCREASES IN THE RESOURCES OF THE MULTILATERAL DEVELOPMENT BANKS: NAMELY THE WORLD BANK, THE INTER-AMERICAN DEVELOPMENT BANK AND THE CARIBBEAN DEVELOPMENT BANK. FOR THE SAME REASON WE SUPPORT THE EUROPEAN COMMUNITY'S RAPIDLY GROWING AID PROGRAMMES IN THE REGION, TO WHICH WE OF COURSE CONTRIBUTE. WE HAVE ALSO INCREASED OUR BILATERAL AID TO LATIN AMERICA.

I VERY MUCH HOPE THAT WITH THE SUBSTANTIAL PLEDGES ALREADY MADE, THE MULTILATERAL INVESTMENT FUND WILL BE SUCCESSFUL. BUT, GIVEN WHAT WE ARE ALREADY DOING IN LATIN AMERICA AND THE OTHER PRESSING DEMANDS ON OUR AID PROGRAMME, I REGRET THAT I CANNOT UNDERTAKE TO MAKE A DIRECT BRITISH CONTRIBUTION TO THE MIF. I CAN, HOWEVER, ASSURE YOU THAT WE SHALL CONTINUE TO SUPPORT THE OBJECTIVES OF THE ENTERPRISE FOR THE AMERICAS INITIATIVE BOTH IN OUR BILATERAL AID PROGRAMME AND IN OUR PARTICIPATION IN THE WORK OF THE EUROPEAN COMMUNITY AND OTHER MULTILATERAL AID CHANNELS.
SINCERELY

JOHN MAJOR

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MESSAGE ENDS

2. THERE WILL BE NO SIGNED COPY.

3. FOR YOUR OWN INFORMATION, PM WANTED REPLY TO SIMILAR MESSAGE FROM PRESIDENT BUSH DELAYED UNTIL AFTER HANDLING OF SENSITIVE VIETNAM BOAT PEOPLE ISSUE HAD BEEN RESOLVED. REPLY IN SIMILAR TERMS TO ABOVE HAS NOW BEEN SENT TO PRESIDENT BUSH, AND TO PRESIDENTS OF MEXICO AND VENEZUELA.

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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

21 November 1991

**ENTERPRISE FOR THE AMERICAS
INITIATIVE**

Now that the first repatriation of Vietnamese Boat People is safely behind us, the Prime Minister would be content for his message to President Bush (Christopher Prentice's letter of 27 September) and his messages to the Presidents of Ecuador, Mexico and Venezuela (your letter of 4 October) to issue. I should be grateful if you could arrange for these messages to be despatched.

I am copying this letter to Jeremy Heywood (HM Treasury) and Sonia Phippard (Cabinet Office).

(J. S. WALL)

S. L. Gass, Esq.,
Foreign and Commonwealth Office.

✓



Content

10 DOWNING STREET

Prime Minister

Ja agreed to turn down
a request from President
Bush and the President of
Senador, Mexico and
Venezuela for a contribution
to the Enterprise for the
Americas Initiative but ja
wanted to delay the reply
until after the drink had
settled a VLB. Content to
write now?

Stephen 20/11



cc/c

Foreign &
Commonwealth
Office

4 October 1991

London SW1A 2AH

Dear Stephen,

Rue Mark

[Handwritten signature]

Enterprise for the Americas Initiative

20/10

The Presidents of Ecuador, Mexico and Venezuela have each written to the Prime Minister urging that the United Kingdom should make a contribution to the Multilateral Investment Fund (MIF). This fund is to be part of the Enterprise for the Americas initiative. President Bush wrote to the Prime Minister on 4 September in the same vein, and my letter of 27 September enclosed a draft reply.

The American proposal, announced without prior consultation, is that the US, Japan and other donors (Europe and Canada) should each subscribe \$500 million over 5 years for a \$1.5 billion Multilateral Investment Fund to give technical help and advisory services for private sector development. Japan has pledged its share; but the only others who have promised to contribute are Canada, France, Spain and Portugal. We understand that the contributions from France and Canada are likely to be of the order of no more than £30 million each. Other Europeans, including Germany, Italy and the UK, have expressed doubts as to whether such a large new fund is required or indeed whether grant assistance to Latin America on this scale and for this purpose is a high priority use of aid funds, given that the resources of the Inter-American Development Bank (which would administer the fund) were increased by 76% in 1989 to \$62 billion and that the MIF appears likely to duplicate some of its existing activities.

I enclose a draft reply for the Prime Minister's signature. This follows the line of the draft reply to President Bush.

I am copying this letter to Jeremy Heywood (HMT) and Sonia Phippard (Cabinet Office).

[Handwritten signature]
(S L Gass)
Private Secretary

Stephen Wall Esq
10 Downing Street

DRAFT LETTER FROM THE PRIME MINISTER TO:

HE Sr Rodrigo Borja
President of Ecuador

HE Sr Carolos Salinas de Gortari
Constitutional President of the United Mexican States

HE Sr Carlos Andres Perez
President of Venezuela

I am grateful to you for writing to me at the end of August about the Multilateral Investment Fund, one of the instruments of the Enterprise for the Americas Initiative announced by President Bush in June 1990.

The British Government welcomes the initiative. We recognise the great changes that have taken place in Latin America over the past few years. Given the important role which the private sector has to play in Latin America, we are ensuring that our own private sector knows of the opportunities and encouraging them to participate fully. We also recognise the role of governments and are helping to finance increases in the resources of the multilateral development banks: namely the World Bank, the Inter-American Development Bank and the Caribbean Development Bank. For the same reason, we support the European Community's rapidly growing aid programmes in the region, to which we of course contribute. We have also increased our bilateral aid to Latin America.

I very much hope that with the substantial pledges already made, the Multilateral Investment Fund will be successful. But, given what we are already doing in Latin America and the other pressing demands on our aid programme, I regret that I cannot undertake to make a direct British contribution to the MIF. I can, however, assure you that we shall continue to support the objectives of the Enterprise for the Americas Initiative both in our bilateral aid programme and in our participation in the work of the European Community and other multilateral aid channels.



me Slw
ak

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

30 September 1991

Dear Christopher,

**MESSAGE FROM PRESIDENT BUSH:
ENTERPRISE FOR THE AMERICAS INITIATIVE**

Thank you for your letter of 27 September enclosing a draft reply from the Prime Minister to President Bush's message about his Enterprise for the Americas Initiative.

The Prime Minister is content with the message but does not (not) want to send it until after we have resolved the handling of the Vietnamese boat people issue with its particular sensitivities viz a viz the United States.

I am copying this letter to Jeremy Heywood (H.M. Treasury) and to Sonia Phippard (Cabinet Office).

Jane,
Stephen
(J. S. WALL)

Christopher Prentice, Esq.,
Foreign and Commonwealth Office.

h



ccp

*U & P Grant.
And we have a
meeting on that to come.
Hold the pro for 24/9*

Foreign &
Commonwealth
Office

London SW1A 2AH

Rune Muntz

27 September 1991

Dear Stephen,

*I think it is right to say no
- but perhaps we shall wait until we*

Message from President Bush : Enterprise for the Americas Initiative

have sent

Thank you for your letter of 6 September, enclosing President Bush's message of 4 September seeking a UK contribution to the Multinational Investment Fund which is to be set up as part of the Enterprise for the Americas Initiative. I enclose a draft reply from the Prime Minister.

VBB

AK

27/9

The American proposal, announced without prior consultation, is that the US, Japan and other donors (Europe and Canada) should each subscribe \$500 million over 5 years for a \$1.5 billion Multilateral Investment Fund to provide technical assistance and advisory services for private sector development. Japan has pledged its share; but the only others who have promised to contribute are Canada, France, Spain, and Portugal. We understand that the total contributions from France and Canada are likely to be no more than \$20 million each. Other Europeans, including Germany, Italy and the UK, have expressed strong doubts as to whether such a large new fund is required or indeed whether grant assistance on this scale and for this purpose to Latin America is a high priority use of aid funds. The resources of the Inter-American Development Bank (which would administer the fund) were increased in 1989 by 76% to \$62 billion. The MIF also appears likely to duplicate some of the Bank's existing activities.

The Americans have been lobbying intensively over the past year in an effort to get other European donors on board, and similar messages from President Bush have gone to Chancellor Kohl and Sr Andreotti among others. We have been told that both leaders will turn down President Bush's request for a contribution to the MIF.

I am copying this letter to Jeremy Heywood (HM Treasury) and Sonia Phippard (Cabinet Office).

*Yours ever,
Christopher Prentice*

(C N R Prentice)
Private Secretary

Stephen Wall Esq CMG LVO
10 Downing Street

FROM: Prime Minister

TO: President Bush

Thank you for your letter of 4 September about the Enterprise for the Americas Initiative which you announced in June 1990.

I welcome the principles underlying your Initiative. We need to respond positively to the changes which have taken place in Latin America. I share the objectives which you set out for improving the basis on which Latin American and Caribbean countries can participate fully in the world economy. We agree that the private sector has an important role: we have taken action to ensure that our own private sector is aware of the changes under way in Latin America, and to encourage them to participate fully.

We also recognise the role of governments and for this reason have supported, and are helping to finance, increases in the resources of the relevant multilateral development banks: namely the World Bank, the Inter-American Development Bank and the Caribbean Development Bank. For the same reason we support the European Community's rapidly growing aid programmes in the region, to which we of course contribute. We have also increased our bilateral aid to Latin America.

I very much hope that with the substantial pledges already made, the MIF will be successful. But given what we are already doing in Latin America and the other pressing demands on our aid programme, I regret I cannot undertake to make a direct British contribution. We shall, of course, seek to support the objectives of the Enterprise for the Americas Initiative, both through our bilateral aid programme and through the EC and other multilateral aid channels.

For Pa. Relations in
Lake Area
June 82



BEU
RJSW

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

6 September 1991

Dear Richard,

MESSAGE FROM PRESIDENT BUSH: ENTERPRISE
FOR THE AMERICAS INITIATIVE

I enclose a message to the Prime Minister from President Bush seeking a UK contribution to the multinational investment fund which is part of the enterprise for the Americas initiative.

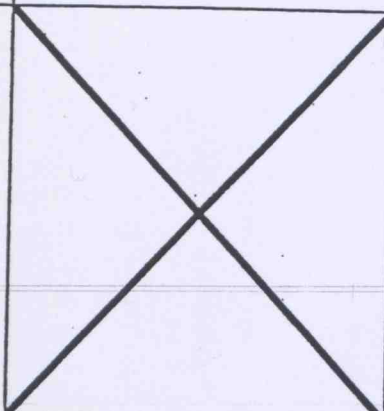
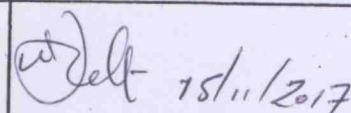
I should be grateful for advice and a draft reply from the Prime Minister.

I am copying this letter to Jeremy Heywood (HM Treasury) and Sonia Phippard (Cabinet Office).

Jan,
Stephen
J.S. Wall

Richard Gozney Esq
Foreign and Commonwealth Office

A The National Archives

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Extract details: T230/91 US/President to Pm. Dated: 4/09/1991	
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Use the card for one piece or for each extract removed from a different place within a piece.

Enter the department and series,
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Enter the piece and item references, .
eg. 28, 1079, 84/1, 107/3

Enter extract details if it is an extract rather than a whole piece.

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Sign and date next to the reason why the record is not available to the public ie. Closed under FOI exemption; Retained under section 3(4) of the Public Records Act 1958; Temporarily retained; Missing at transfer or Number not used.

OFFICE OF THE PRESIDENT OF THE REPUBLIC

Quito, 27 August 1991

Rt Hon John Major MP
Prime Minister of the
Government of the United Kingdom of
Great Britain and Northern Ireland,
By hand

Dear Minister,

~~As you know, my Government has given its support to the Enterprise~~
for the Americas which was announced by President Bush in June 1990.
Other Latin American and Caribbean Governments have also done so.
The opportunity and challenge involved in the Enterprise in the
fields of trade, public debt and promotion of investments reflect my
Government's desire to provide the Ecuadorian people with the
necessary instruments for them to secure harmonious and sustained
development.

One of the instruments of the Enterprise is to encourage a climate
which is more favourable to investments in the Member States by
means of special support for the Inter-American Development Bank
[IDB]. The Bank has already carried out some activities and is
working with several of its members on this important joint project.

In that context, the establishment of the Multilateral Investment
Fund of 1,500 million dollars has a central role in improving the
climate for investments. The Fund will be administered by the IDB
for a five-year period. The funds, which will be distributed
principally as grants, will be made available for technical
cooperation intended to strengthen public and private institutions,
education and training of human resources and, particularly, support
in the form of long-term loans and direct investment in small and
medium-sized businesses which are so important and promising for the
economic and social development of our countries.

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL NO. 7226(A)(91)
SUBJECT
MASTER
OPS
FILED ON:

For small States like Ecuador the new Multilateral Fund is of special economic and political importance. For this reason I have followed with interest the progress of the various meetings of the Governments which are not borrowing money from the Bank and I applaud the statements expressing interest in making contributions. I must recognise the efforts made but, at the same time, it concerns me that a final agreement has not yet been reached and that some Governments have made no commitment to provide resources.

For this reason, Prime Minister, I want to express my special interest in your Government becoming a participant in the Multilateral Investment Fund along with other friendly Governments in Europe and those of the United States and Japan. I am convinced that your continuing concern for the welfare and development of the Latin American and Caribbean peoples will once again be reflected in this crucially important step.

[Complimentary close]

[signed]

Rodrigo Borja
President of Ecuador



PRESIDENCIA DE LA REPUBLICA

Quito, a 27 de agosto de 1991

Excelentísimo Señor Don
John Mayor
**Primer Ministro del
Gobierno del Reino Unido de
Gran Bretaña e Irlanda del Norte,**
Presente

Señor Ministro:

Como usted conoce, mi gobierno ha manifestado su apoyo a la Iniciativa de las Americas, anunciada por el Presidente Bush en junio de 1990. Otros gobiernos de America Latina y el Caribe lo han hecho tambien. La oportunidad y el desafio que ella implica, en los campos del comercio, la deuda publica y la promoción de la inversión, coinciden con los afanes de mi gobierno de dotar al pueblo ecuatoriano de los instrumentos necesarios para asegurar su desarrollo armonico y sostenido.

~~Uno de los instrumentos de esta Iniciativa constituye la~~ promoción de un clima más favorable de inversiones en los países miembros, a través del apoyo especial al Banco Interamericano de Desarrollo. El Banco ya ha realizado operaciones y trabaja con varios de sus miembros en esta importante cooperación.

En este contexto, un elemento fundamental del mejoramiento del clima de inversiones constituye la creación del Fondo Multilateral de Inversiones por 1.500 millones de dólares, administrado por el BID para un periodo de cinco años. Estos fondos, aplicados fundamentalmente en forma de donaciones, serian destinados a cooperación técnica para el refuerzo de instituciones publicas y privadas, a la formación y entrenamiento de recursos humanos y, en forma especial, al apoyo con préstamos a largo plazo y con inversiones directas a las pequeñas y medianas empresas, tan importantes y promisorias en el desarrollo economico y social de nuestros países.

Para los Estados pequeños, como el Ecuador, la importancia economica y politica de este nuevo Fondo Multilateral es especial. Por ello he



PRESIDENCIA DE LA REPUBLICA

2

seguido con interés el desarrollo de los varios encuentros de los gobiernos no prestatarios del Banco y aplaudo las manifiestas expresiones de interés de hacer contribuciones. Debo reconocer los esfuerzos realizados pero, a la vez, me preocupa que aún no se haya logrado un acuerdo definitivo y tampoco el compromiso de recursos por parte de algunos gobiernos.

Por esta razón, señor Primer Ministro e ilustre amigo, quiero expresarle mi especial interés porque su gobierno ingrese a conformar el Fondo Multilateral de Inversiones en comunidad con otros gobiernos amigos de Europa y los de Estados Unidos y Japón. Tengo el convencimiento de que su permanente preocupación por el bienestar y el desarrollo de los pueblos de América Latina y el Caribe se reflejará, una vez más, en este paso trascendental.

Cordialmente

Rodrigo Borja

Rodrigo Borja,
Presidente del Ecuador

SUBJECT

1

STS 802/91

MASTER

OPS

PRESIDENT OF VENEZUELA

Miraflores, 20 August 1991

The Rt. Hon. John Major M.P.
Prime Minister of the United Kingdom
London

FILED ON:

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T 218AA(91)

Dear Prime Minister and friend,

It is with pleasure that I am writing to you to ask if you would lend your attention to a matter of great importance to the economic development of Latin America. I do so because I am anxious to contribute to the search for initiatives which might contribute to greater cooperation and closer links between Europe and Latin America.

The Initiative for the Americas which President George Bush proposed to us in June 1990 has received the support of all the governments in the region, who see it as an opportunity and challenge in the field of trade, public debt and the promotion of private investment.

As you know, the Initiative envisages the possibility of setting up trade negotiations between countries or a group of countries and the United States and Canada, and an option of reducing public debt with the Government of the United States. This reduction of public debt is essential for small countries which have substantial debts with various agencies of the United States Government.

The third part of the Initiative lies in the creation of the Multilateral Investment Fund which would have at its disposal 1,500 million dollars for a period of five years. This Fund would be administered by the IDB and applied via donations destined for technical cooperation to strengthen public and private institutions, to develop and train human resources and to support with long-term loans the small business sector which is so important and promising for the economic and social development of Latin America.

The Multilateral Fund can already count on \$500 million committed to it by the United States Government and another \$500 million from the Japanese Government. Another \$100 million annually over five years have to be received from other member countries of the IDB. There have already been a number of meetings between non-lender governments of the IDB, among whom is that of your country. Some have expressed interest in making contributions, but definitive agreement has been difficult to achieve so far and insufficient governments have committed resources to this Initiative to provide the sum proposed for establishment of the Fund.

This is my reason for writing to you, sure as I am of your interest in cooperating with our region which is striving and making sacrifices to correct mistakes and omissions which have weakened our economies. I should like to reiterate the economic and political importance of this Multilateral Investment Fund and the importance to our countries of seeing associated with this effort countries like yours, to which we are bound by deep historical and cultural ties.

Yours sincerely,

Carlos Andrés Pérez



Presidente de Venezuela

Miraflores, 20 de Agosto de 1991

Excelentísimo Señor
John Major, M.P.
Primer Ministro de Reino Unido
Londres

Estimado señor Primer Ministro y amigo:

Tengo el agrado de dirigirme a usted para solicitar su atención a un tema de alta importancia en el desarrollo económico de América Latina. Preocupado como lo estoy por contribuir a la búsqueda de iniciativas que contribuyan a una mayor cooperación y acercamiento de Europa con latinoamérica.

La Iniciativa de las Américas que nos propusiera el Presidente George Bush en junio de 1990, ha recibido el apoyo de todos los gobiernos de la región, por considerarlo una oportunidad y un desafío en el campo del comercio, la deuda pública y la promoción de la inversión privada.

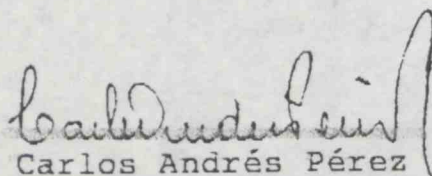
Como usted sabe, la Iniciativa contempla la posibilidad de establecer negociaciones comerciales por países o grupo de países con Estados Unidos y Canadá, y una opción de reducción de la deuda pública con el Gobierno de Estados Unidos. Esta reducción de deuda pública resulta vital para países pequeños que tienen importantes deudas con diferentes agencias del Gobierno de los Estados Unidos.

El tercer componente de la Iniciativa lo constituye la creación del Fondo Multilateral de Inversiones que contaría con 1.500 millones de dólares para un período de cinco años. Este Fondo sería administrado por el BID y aplicado a través de donaciones destinadas a cooperación técnica para fortalecer instituciones públicas y privadas, formar y entrenar recursos humanos y apoyar con préstamos de largo plazo al sector de la pequeña empresa, tan importante y promisorio en el desarrollo económico y social de América Latina.

El Fondo Multilateral cuenta ya con el compromiso de 500 millones de dólares por parte de los Estados Unidos y de otros 500 millones de dólares por parte del Gobierno de Japón. Otros 100 millones de dólares anuales durante un período de cinco años deben ser recibidos de otros países miembros del BID. Ya se han realizado varios encuentros entre los Gobiernos no-prestatarios del BID y entre los cuales se encuentra el de su país. Algunos expresaron interés en hacer contribuciones, pero aún ha sido difícil un acuerdo definitivo y no se ha logrado que un número suficiente de Gobiernos comprometan recursos a esta Iniciativa, que permita contar con la suma propuesta para crear el Fondo.

Es el motivo que me estimula a escribirle, seguro como estoy de su interés en cooperar con nuestra región que realiza ~~esfuerzos y sacrificios para corregir errores y omisiones~~ que postraron nuestras economías. Y me permito reiterarle la importancia económica y política de este Fondo Multilateral de Inversiones y la relevancia que para nuestros países tendría el ver asociado este esfuerzo a países como el suyo, al cual nos unen profundos vínculos históricos y culturales.

Cordialmente,


Carlos Andrés Pérez

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FM SAN JOSE 300100Z SEP 84
TO PRIORITY F C O
TELEGRAM NUMBER 371 OF 30 SEP
REPEATED PRIORITY WASHINGTON TEGUCIGALPA PANAMA CITY MEXICO CITY
BOGOTA CARACAS OTTAWA
AND SAVING ALL E C POSTS

CONFERENCE OF FOREIGN MINISTERS IN SAN JOSE 28/29 SEPTEMBER

1. SUMMARY: A SUCCESSFUL CONFERENCE WHICH TURNED OUT TO BE SOMEWHAT MORE IMPORTANT, SYMBOLICALLY AND IN CONTENT, THAN ORIGINALLY EXPECTED. THE COMMUNITY PRESENTED A UNITED FRONT AND THE CENTRAL AMERICANS KEPT THEIR DIFFERENCES UNDER CONTROL. THE CONTADORA GROUP ACHIEVED LESS THAN THEIR OBJECTIVES BUT WERE PROBABLY NOT MUCH DISAPPOINTED. CAREFUL COMMUNITY DRAFTING OF THE COMMUNIQUE AVERTED EXPLICIT ENDORSEMENT OF THE CONTADORA DRAFT ACT AND OF AN CALL FOR SIGNATURE OF THE ADDITIONAL PROTOCOL.

DETAIL

2. THIS MEETING OF 21 FOREIGN MINISTERS OF THE COMMUNITY (WITH THE COMMISSION) SPAIN AND PORTUGAL, THE 5 CENTRAL AMERICAN AND 4 CONTADORA GROUP COUNTRIES WAS PRECEDED BY APPREHENSION ON SEVERAL SCORES: THAT IT MIGHT TURN OUT TO BE AN EMPTY PIECE OF SYMBOLISM, DISAPPOINT EXAGGERATED EXPECTATIONS OF ECONOMIC GENEROSITY, OPEN A DAMAGING RIFT BETWEEN SOME OF THE CENTRAL AMERICANS AND THE CONTADORA GROUP, PUBLICLY EXPOSE INCONSISTENT ATTITUDES AMONG THE TEN, AND ANGER THE UNITED STATES. THERE WERE UNDERTONES OF ALL THIS, ESPECIALLY IN THE PRELIMINARY DISCUSSIONS BETWEEN OFFICIALS ON THE DRAFT COMMUNIQUE, BUT THE CONFERENCE PROPER WAS BROADLY POSITIVE AND CONSTRUCTIVE. THE ORGANISATION WAS GENERALLY GOOD AND WAS A CREDIT TO THE COSTA RICANS.

3. YOUR INTERVENTIONS IN THE POLITICAL AND ECONOMIC SESSIONS EMPHASISED THE NEED FOR REALISM IN FOLLOW-UP TO THE CONFERENCE. YOU HAD BILATERAL TALKS BY ARRANGEMENT WITH GUATAMALA, MEXICO AND VENEZUELA, AND AD HOC WITH HONDURAS AND NICARAGUA. THE COMMUNIQUE DRAFTED WELL BEFOREHAND BORE A SURPRISING RESEMBLANCE TO THE DISCUSSIONS WHICH TOOK PLACE, AND FAIRLY REPRESENTED THE HIGHEST COMMON FACTOR OF ATTITUDES. THERE WERE DIFFICULTIES IN PRELIMINARY DRAFTING SESSIONS OVER REFERENCES TO THE STATUS OF THE CONTADORA GROUP, THE DEGREE TO WHICH COUNTRIES WISHED TO ASSOCIATE THEMSELVES WITH THE REVISED ACT OF CONTADORA AS SUCH, AND COMMITMENT OF OUTSIDE STATES WITH INTERESTS IN THE AREA TO SUPPORTING THE FOLLOW-UP PROCESS. STRICTLY ECONOMIC POINTS GENERATED ONLY MILDEST FRICTIONS.

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/ 4.

4. PARTICULAR POINTS WHICH EMERGED IN THE MEETING WERE:

(A) CONTADORA. THE RITUAL LATIN EXPRESSIONS OF SUPPORT FOR THE PRINCIPLES EMBODIED IN THE CONTADORA DOCUMENT OF OBJECTIVES AND FOR THE PROGRESS IN DRAFTING THE CONTADORA ACT APPEARED, IN THE MAIN, TO REFLECT A GENUINE BELIEF IN THE PATH OF NEGOTIATION. THE HONDURAN AND SALVADOREAN FOREIGN MINISTERS WERE HOWEVER GUARDED IN THEIR REFERENCE TO THE REVISED ACT AS SUCH AND EMPHASISED THE NEED TO WORK OUT PROCEDURES WHICH WOULD ENSURE THAT THE ACT WAS TRULY VERIFIABLE AND IMPLEMENTABLE. THIS VIEW, WHICH YOU ALSO STRESSED IN YOUR INTERVENTION IN THE POLITICAL SESSION, WAS REFLECTED IN THE CONTRIBUTIONS OF OTHERS INCLUDING THE COLOMBIAN FOREIGN MINISTER. MEXICAN FOREIGN MINISTER SEPULVEDA ARGUED THAT DETAILED MECHANISMS FOR VERIFICATION, WHILE IMPORTANT, DID NOT BELONG TO AN INTERNATIONAL TREATY BUT TO THE FOLLOW-UP PROCESS: WHAT WAS NEEDED NOW WAS DEMONSTRATION OF POLITICAL WILL AND SIGNATURE SHOULD TAKE PLACE WITHOUT DELAY. PAZ BURMICA STRESSED THAT FOR HONDURAS THE GUARANTEE OF ARMS REDUCTIONS WAS ABSOLUTELY CRUCIAL. SERIOUS CONSULTATIONS WERE REQUIRED, AFTER THE 15 OCTOBER DEADLINE FOR COMMENTS ON THE ACT, IN ORDER TO RESOLVE IMPORTANT OUTSTANDING ISSUES.

(B) POSITION OF NICARAGUA. D'ESCOTO ADOPTED A LOW PROFILE ALTHOUGH HE COULD NOT RESIST SWIPES AT THE UNITED STATES. THE COLOMBIAN BY IMPLICATION CRITICISED SANDINISTA HANDLING OF THEIR ELECTORAL PROCESS. CHEYSSON REFERRED MORE POSITIVELY TO THE SANDINISTAS THAN OTHER EUROPEANS, BUT THIS MAY HAVE BEEN BECAUSE REGIS DEBRAY WAS WITH HIM.

(C) INSTITUTIONALISATION OF THE EC/CA CONTACTS. THE NEED FOR SOME FORM OF INSTITUTIONALISATION - BUT NOT IN YOUR PHRASE RITUALISATION OR FOSSILISATION - OF CONTACTS WAS GENERALLY ACCEPTED. GENSCHER ADVANCED (WITHOUT PRIOR EC CONSULTATION) AN IDEA FOR A FIRST POLITICAL FOLLOW-UP MEETING IN 6 MONTHS TIME, WITH PREPARATORY WORK BY THE MEDIUM OF THE COMMISSION.

(D) ECONOMIC COOPERATION. THE CENTRAL AMERICANS AND CONTADORA FOUR EXPRESSED ENTHUSIASM FOR DEVELOPING COOPERATION WITH EUROPE OVER A BROAD RANGE. BUT THE CA'S SAID LITTLE OF ANY REAL NOVELTY. CHEYSSON, SURPRISINGLY, SUGGESTED UNESCO AS A POSSIBLE CONTACT POINT, WHICH WAS ECHOED BY PISANI WHEN, AMONG OTHERS, HE SUGGESTED CULTURAL EXCHANGES AS COMMON AREAS OF INTEREST. ECONOMIC STABILITY THROUGH COOPERATION WAS THE COMMON THEME. THE MEXICANS RESTATED THEIR BELIEF IN CADESCA AS THE FOLLOW-UP MECHANISM, BUT DID NOT PRESS THIS VERY HARD IN FACE OF CA PREFERENCE FOR SIECA AND BCIE.

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5. CENTRAL AMERICAN ATTITUDES ON THE CONTADORA ACT REVEALED CERTAIN DIFFERENCES OF EMPHASIS AMONGST THE FOUR WHO CONFRONT NICARAGUA. THE HONDURAN AND EL SALVADOREAN APPROACH TO SOME DEGREE PROBABLY REFLECTED LAST-MINUTE U S LOBBYING FOLLOWING THE LATEST, UNSUCCESSFUL ROUND OF U S NICARAGUAN TALKS IN MANZANILLO.

6. AT A BRIEF MEETING OF POLITICAL DIRECTORS OF THE TWENTY ONE COUNTRIES PRESENT THERE WAS A PRELIMINARY DISCUSSION OF HOW THE CONCLUSIONS OF THE CONFERENCE SHOULD BE TAKEN FORWARD. EC POLITICAL DIRECTORS AGREED TO HAVE A FIRST LOOK AT THIS AT THE OCTOBER MEETING OF THE POLITICAL COMMITTEE.

FCO PLEASE PASS

SUMMERSCALE

(REPEATED AS REQUESTED)

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MOD D14
MR ARBUTHNOTT ODA

For. Pol.

(4)



From the
Minister for Trade

DEPARTMENT OF TRADE
1 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01 215 5144
SWITCHBOARD 01 215 7877

Prime Minister

Ray Whitney Esq OBE MP
House of Commons
LONDON
SW1A 0AA

A.J.C. ^{L6.}/₆

25 October 1982

Ray Whitney

mt.

will request if required

Thank you for your letter of 29 September enclosing copies of your report on your visit to Uruguay, Peru and Venezuela and your subsequent exchange with Cranley Onslow. As I told you the other day, I found your report both interesting and thoughtful, particularly in the light of the somewhat different conclusions which I drew from my own visit to South America.

I have no doubt that you visited the three countries in South America most likely to be sympathetic to the Argentine cause. My experience in Chile, Paraguay and Ecuador was quite different. In the first two the degree of pro British sentiment was most encouraging (although I readily concede that enthusiasm for a nation that has taken the unpopular Argentines down a peg could easily be ascribed simply to a dislike for Argentina). The Ecuadoreans, who had taken a pro-Argentine stance during the conflict received me very cordially. Although I gave President Hurtado the openings to discuss the Falklands he did not take them, preferring to talk about our bilateral trade. Press and TV coverage was extensive and favourable in all three countries.

Perhaps I might comment on the point you made in your paragraph 6 about Latin America at last finding a "rallying point" in the Falklands. While it is true that the presence of Anglo Saxons in offshore islands gives rise to a sense of Latin American unity in that hemisphere, it has not so far done so to the degree that it binds them together beyond the limits of rhetoric. Peru and Venezuela, which like Argentina, have claims on their neighbours' territories, were bound to find common cause on the Falklands. Yet for all their avowals of support the Venezuelans, who were the loudest of all, did nothing to convert words into deeds. Other countries against whom territorial claims are made - Guyana and Colombia (by Venezuela), Ecuador (by Peru), Brazil and Paraguay (by Argentina) and Chile (by Peru, Bolivia and



Argentina) have good reason to welcome the fact that territorial aggression has been seen not to pay. At the height of the dispute the Brazilians, while offering minimal support to the Argentines in the form of some aircraft and helicopters, were signing contracts with British firms under a Memorandum of Understanding signed nearly a year ago.

Latin Americans have a facility for saying with great eloquence what is deemed to be the right thing in public, often in stylised and visionary terms, while quietly pursuing more pragmatic policies. They will never give you a blunt "No" - they are too polite for that - and they are certainly not going to say "No" publicly to Argentina. But for all the rhetorical support Argentina may get in the UN and elsewhere, it remains a fact that we enjoy plenty of goodwill in that region and have earned ourselves no little respect for successfully defending ourselves against an aggressor.

I do not underestimate what needs to be done to maintain our position in Latin America and I welcome your proposals for greater contact by means of two way exchanges in both the political and economic spheres. More than once it was put to me during my visit that Latin America belongs in the Western world. It is up to us to demonstrate that we believe it too.

I am copying this to the Prime Minister, to whom Cranley Onslow copied your report, and to Cranley.

John Cranley
Rees

PETER REES

Foreign Pol, June '87,
Relations with Latin America.

CONFIDENTIAL

GRS 180

CONFIDENTIAL

FM MONTEVIDEO 061930Z OCT 82

TO PRIORITY FCO

TELEGRAM NUMBER 709 OF 6 OCTOBER

INFO ROUTINE ASUNCION BRASILIA CARACAL LIMA MEXICO CITY PANAMA

LA PAZ QUITO SAN JOSE TEGUCIGALPA SANTIAGO

MY TEL NO 675: SALUTE TO THE TASK FORCE

1. I WAS SUMMONED BY THE ACTING FOREIGN MINISTER TODAY TO BE TOLD THAT THE URUGUAYAN GOVERNMENT HAD HEARD WITH REGRET OF THE PLANS TO HOLD A FALKLANDS PARADE IN LONDON ON THE SAME DAY AS THE 'DIA DE LA RAZA'. I WAS ASKED FOR AN ASSURANCE THAT THIS WAS A COINCIDENCE AND NOT DELIBERATE.

2. I REPLIED THAT IT WAS, OF COURSE, A COINCIDENCE AND THAT, FAR FROM WISHING TO OFFEND OUR LATIN AMERICAN FRIENDS, WE WERE ANXIOUS TO STRENGTHEN OUR LINKS WITH THEM. I THEN SPOKE FURTHER AS IN PARAGRAPH 3 OF GUIDANCE 180.

3. THE ACTING FOREIGN MINISTER SAID THAT, WHILE HE WAS GLAD TO HEAR THIS EXPLANATION, HE WOULD LIKE ME TO POINT OUT TO MY GOVERNMENT THAT THIS WAS A MATTER ON WHICH WE WOULD FIND LATIN AMERICAN COUNTRIES EXTREMELY SENSITIVE.

KELLEY

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Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

Mr. Whitney's report is better than

Mr. Tuckman's. I have

highlighted the significant passages.

15 September 1982

A & C. 30. 9

ADL Yw.
h-c

Dear Sir,

Visits by Mr Ray Whitney MP and Mr Fred Tuckman MEP to South America

In view of recent correspondence about the future of our relations with Latin America, Mr Pym thought that the Prime Minister might be interested to read the enclosed reports by Mr Whitney and Mr Tuckman, both of whom have recently returned from visits to the region.

Both visitors consider that we have tended to underestimate the damage caused to our relations with Latin America by the Falklands conflict. It should be borne in mind however that the countries visited by Mr Whitney, notably Peru and Venezuela, are particularly hostile towards our cause. Mr Tuckman, too, at the Latin American Parliamentary meeting, faced essentially pro-Argentine opinion although the poll attached to his report shows that opinion in Brazil was much more balanced. It is encouraging that President Betancur, the new Colombian Head of State, went out of his way to state that he would like to see closer links between his country and the UK.

We are giving some thought to Mr Whitney's recommendations for future action, but the Prime Minister will be aware of the difficulty for us of references to our willingness to go to the ICJ.

Yours ever

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

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Rav Whitney

IN CONFIDENCE

LATIN AMERICA AFTER THE FALKLANDS

1. I have just completed a two-week trip to Uruguay, Peru and Venezuela, concluding with visits to Washington and New York. In each country I met Ministers and other political leaders, senior officials and opinion-formers. I received the fullest co-operation from the British Embassies concerned but I constantly emphasised to all the Latin Americans I met that my visit was in no sense official and that I was travelling as a Member of Parliament who happened to be Chairman of the Foreign Affairs Committee of the Conservative Party.

2. I had three objectives:-
 - a) to make an assessment of attitudes to Britain in the aftermath of the Falklands affair;
 - b) to explain and defend Britain's action and presence in the Falklands;
 - c) to achieve the maximum public impact as a reminder of Britain's continuing interest in Latin America.

3. It is my impression that there is a general view in London (which I shared) that the damage caused by the Falklands affair to British-Latin American relations would not be very severe or lasting, particularly given the unpopularity of the Argentines in the rest of the hemisphere, a widespread disapproval of the use of force and the likelihood that Latin American indignation would be directed more at the Americans for the

... role they played

... Americans for the

role they played than against ourselves. I now believe that this assessment is wrong and that the effects on our relations are likely to be deep and enduring - although, of course, varying in each country. The affair has precipitated an emotional reaction which has its origins in Latin America's complex past. Their traditions make it virtually impossible for them to comprehend our determination to protect, at such cost, the basic human rights of a small group of islanders and their concept of territorial "honour" leads them to regard the Falklands as a manifestation of colonialism despite all efforts to point out the lack of logic in such a view. For them the conflict was one between Latins and Anglo-Saxons and many more than I had expected throughout the hemisphere claim to feel that they suffered a humiliating defeat. They point to the United States' and European Community support for Britain as evidence that, when it comes to the crunch, the Latin Americans have not been admitted after all - and as they had thought - to the Western club.

4. Of the three countries visited, such sentiments are strongest in Venezuela. There was little detectable difference between the attitudes of the various government representatives I met or the Copei Presidential candidate, Dr. Caldera, and the Accion Democratica leaders and their Presidential candidate, Sr. Lusinchi. Lusinchi, who is well ahead in the polls for next year's Presidential election, was a good deal blunter than the much more intellectual Caldera. The Venezuelans' enthusiastic support of the Argentine government, for whose anti-democratic and militaristic nature they regularly expressed contempt before 2nd April, seems to arise largely from their assessment that they can use the present situation to press their massive territorial claims over Guyana. They believe that, in diplomatic, political and commercial terms, we are on the defensive and that this presents them with an opportunity to pressurise us into intervening in the Essequibo dispute.

...5// Feelings are

... in the Essequibo dispute. //

5. Feelings are less intense in Peru and I was told quite often that "We are not anti-British but we must be pro-Argentine". However, the military - the "other political party" in Peru which could always step back into the arena - seems to be strongly supportive of Argentina. Uruguay has traditionally and inevitably been dominated by Argentina and despite the current weakness of her neighbour, Uruguay finds herself under a great pressure to support the Buenos Aires line.

6. The Argentines are conducting an active political and diplomatic campaign throughout Latin America in preparation for the forthcoming session of the UN General Assembly. They have had a good response and many Latin Americans pointed out to me with pride the unanimity which had been achieved in support of the inscription of a Falklands item on the agenda.

After years of seeking and failing to achieve hemisphere co-operation in many other causes, the Falklands issue is providing a welcome rallying point which compensates for so many earlier frustrations.

7. I fear such attitudes will produce a very bitter UN debate. In many discussions I pointed out that this would make a difficult situation still worse but the only interlocutor who seemed seriously disposed to accept my proposition was Sr. Raoul Alfonsin, the leader of Argentina's Radical Party, whom I met in Caracas at his request. He professed to be optimistic that there would be elections in Argentina in October 1983, that his party would win them and that he could work with Britain for a "peaceful solution" of the Falklands issue - all prospects which seem highly questionable.

...//8. I met another group

... seem highly questionable.//

8. I met another group of Argentines in Montevideo on Tuesday, 17th August, led by Dr. Emilio Cardenas, Legal Adviser to the Central Bank (who I assume has now lost his post in last week's changes). They confirmed the total lack of cohesion in the Argentine government and maintained that the (then) Economic Ministry, Central Bank and the rest of the economic sector were urging some degree of rapprochement with Britain, including the lifting of sanctions, whilst a military group were forcing the Foreign Ministry into the aggressive political campaign it was conducting. They said that a myth was being quickly developed in Argentina about their military achievements in the Falklands campaign (the whole of Latin American politics is riddled with myths) and the view gaining ground was "We could have won but for the intervention of the Americans and some mistakes with our young army conscripts; the Americans won't interfere again and we shall win next time". My Argentine contacts insisted that French arms deliveries were beginning again, in return for promises of commercial contracts. Even if the Argentines are not misguided enough to try another attack, presumably they calculate that the persistent threat will represent a strain on our resources and enable them to make charges - as they are currently doing - about our creation of a "military base" on the Falklands.

9. It seems inevitable in the present situation in Latin America that our trade prospects will be damaged and that we shall have to accept that as one of the costs of defending the Falkland Islands. Although we only have about 3% of the market at present, this could represent a considerable loss of potential trade. Even with their present difficulties, the GNP of Latin American countries is roughly equivalent to that of the Indian sub-continent, South-East Asia and Africa combined. To take a specific incident, it seems to me quite unlikely that the British Aerospace £200 million Hawk deal with Venezuela, which has now been suspended, will ever be

..... completed. Well informed

... will ever be

completed. Well informed sources in Caracas told me that the Venezuelans would be buying American F5s instead. Our Community partners are busily mending their fences with Latin American countries - there have been important visitors in both directions - and will no doubt be hoping to pick up some additional trade at our expense.

10. Recommendations

Whilst it seems certain that we are in for a difficult patch in our relations with Latin America, I believe there are ways in which the damage can be limited. Some of the following possibilities might be considered:-

- a) More outward visitors, particularly if they are Spanish speaking. I gave public lectures and television and radio interviews in all the countries I visited and these were good opportunities to put over the British case.
- b) More inward visitors, e.g. Latin American Parliamentarians after the IPU meeting in Rome at the end of this month.
- c) A study of whether a special information effort might be mounted in Latin American posts, e.g with the provision of TV film material covering the widest possible range of British themes.
- d) Further help with English language training in Latin American countries.

11. But these are palliatives and the real issue will remain - the Falklands. On the basis of my own exchanges with Latin Americans I suggest that there are two themes which

... we might bring out

... two themes which

we might bring out more strongly in the defence of our own policies:-

- a) If Argentina - and the rest of Latin America - is so convinced of the validity of the claim to Falkland Islands sovereignty, why has it never gone to the International Court of Justice? The Argentine Ambassador in Lima asked this question of his Foreign Ministry, having had the point put to him by his American colleague, and was told to drop it forthwith and never raise it again. I recognise the differences about the ICJ point as between the Falkland Islanders and the Dependencies and that it would have to be handled with care; but I believe we could use it to greater advantage than we have so far.
- b) It is impossible to negotiate any reasonable solution with a militaristic, non-democratic and unstable government. I accept that we have taken something near this line but the point is not getting across and I believe it is important that it should do so, both for the Latin Americans and to our Community partners and to the United States (Tom Enders told me in Washington that they "looked to us to get a solution within three to ten years"). There are serious difficulties here but I believe we could find a form of words which would satisfy reasonable overseas opinion without causing difficulties with the Islanders, Parliament or the British public. Our Deputy Representative at the UN (Ham Whyte) confirmed that this line of defence would be very valuable in what is clearly going to be an extremely difficult time for us in New York. The

... Americans told me

... in New York. The

Americans told me that they are trying to persuade the Argentines and Mexicans to remove the remaining unacceptable phrases in the present draft. If they are successful, presumably the United States, the Community and nearly all the rest of the world will be voting for the Latin American resolution.

1st September 1982

-o-o-o-o-o-o-o-

Notes on a visit to BOGOTA at the invitation of

DR. GILBERTO AVILA BOTTIA,

President of the Latin American Parliament

Sunday 22nd & Monday 23rd August, 1982.

The European Parliamentary Delegation consisted of:

PIETER DANKERT - President of the European Parliament (Dutch)
MARIO PEDINI - President of the Latin American Delegation (Italian)
FRED TUCKMAN - First Vice-President of the Latin American Delegation
(British)

We had a number of meetings during which the virulent feelings about the 'Malvinas' came out time and again. There was no personal animosity towards us, and that extended to me as a clearly British representative.

The following factors came out time and again:

1. The whole episode was seen as aggression against the whole of Latin America.
2. The episode has provided a strong emotional cement to the Latin Americans, and the Argentinians now feel closer to their continental brethren, having previously had a largely 'European' identity.
3. Britain's strong force in answer to Argentine landings was seen as over-reaction.
4. No one doubted that the Falklands were Argentinian sovereign territory.
5. Any non-American presence in the South Atlantic is seen as colonialism.

6. The statement that sovereignty is a question of the inhabitants, and not the soil and geographic proximity to the mainland, was rejected.
7. It was even said by one delegate that the vote of the inhabitants didn't count, seeing that Britain never permitted the Argentinians to settle the Islands. (Since when has there ever been a policy which allowed the cultural balance to be transferred to the immigrant?).
8. Much play was made of the fact that Britain is supposed to have taken the Falklands illegally in 1833.
9. An Ecuadorian representative was given close attention and respect for his statement that Britain and the Argentine were asked to negotiate by the United Nations on the basis that here was a territory to be de-colonialised, (United Nations 1956 or 1965, I couldn't catch which).
10. Substantial resentment exists towards the European Community for having offended the Latin American personality and integrity by backing Britain.
11. A sense of betrayal exists towards the U.S., who are seen as the first of the 'new' countries, and who should therefore side against the European colonialists. The situation is perhaps best described by the astonished and shell-shocked young woman reporter, who asked whether Mrs. Thatcher would now negotiate. When I explained that no British government could possibly do this, she said "What - never?" I said "Certainly not for five years". She nearly fainted.

12. Another typical statement involved phrases such as:

"Brutal, over-reacting Atlantic force"

"Should have talked after Argentinians landed!"

MEETING WITH PRESIDENT BETANCUR

The three Euro-Parliamentarians, together with the Danish Ambassador in his role as representative of the E.E.C., had an audience with the new President. He is obviously a highly civilised person, whose reputation for being practical rather than academic, is belied in conversation. He chose to bring in Kafka into a conversation about his policy on non-alignment.

He started the conversation by outlining his great belief in Parliamentary democracy, maintaining that freedom would be unavailable without. He himself has been in and out of prison, and apparently conducted his first term as an elected Parliamentarian by being escorted out of prison for parliamentary sessions and then returning back to confinement. He has had spells as a Professor in Spain, and has also been in the U.S. While he speaks Spanish, he clearly understands English quite well.

He said that his new foreign policy would be one of non-alignment, by which he seems to mean some distancing from the U.S.A. However, our Ambassadors made clear that Colombia really follows a strongly pro U.S. policy, but equally the President was not just mouthing words. His non-alignment takes Israel, Singapore and Japan as examples of states who follow their own path. He specifically excluded closer relations with Cuba, about whom he said that they only knew how to infiltrate guerillas.

The President is strongly aware of his country's under-development, saying, "We are the prisoners of our own backwardness".

In answer to what he would like to see done, he instanced the highly favoured Lomé countries, as against the non-favoured Latin American states.

He specifically said that he would like to see closer links with, for example, Germany and the U.K., and clearly held out a request for all sorts of contact. I think this might be a useful matter to take up; I sense that he was not only talking about straight financial aid or commerce. I got the impression that he wanted a link in addition to that with the U.S.A.

He was highly critical of the O.A.S., regarding this merely as a talking shop. On the other hand he is clearly aware that nothing much can happen without, and certainly not against the U.S.A. But he wants to establish relations with the other Latin speaking countries, and then meet the U.S.A. in a subsequent wider session. As I understand it he has set up a meeting of Presidents of the Latin American countries, but I was not clear about the date.

It appears that even the Ambassador representing the Presidency of the E.E.C. seldom has an audience, Mr. Haxthausen the Danish Ambassador, had his first proper audience with us. I am not clear how Mr. Robson, our own Ambassador, has fared so far.

The idea that Spanish accession would bring Lomé-type Agreements in their wake, did not thrill the President. This would to him be too much like colonialism in another shape.

The President talked quite a lot against the multinationals, and mentioned that terms on which aid is given can offend.

Parliamentary Initiative

In our meeting with Avila Bottia and his Bureau, President Dankert suggested some concrete pieces of cooperation. In particular the following are under investigation:

1. Two European Parliamentarians and two nominees of Mr. Bottia's are to form a four man committee to see what practical projects would be initiated.
2. Dankert thought that a Latin America Europe Bank could be considered.
3. He stressed time and again the need for small working groups.

A point strongly raised by Avila Bottia was the objection to 'ad valorem' duties imposed by the E.E.C.

Summary

In summary this visit suggests to me that much must be done to repair relations between the E.E.C. and Latin America, as well as between Britain and Latin America. We are deluding ourselves if we think that our quarrel is solely with the Argentine. The conflict has been like a furnace which has welded Latin American sentiment into a unity. On the other hand the underlying need which Latin America has for us, and the opportunities which that continent presents to us, are substantial, and need to be stressed. While immediate results will be difficult to obtain, work now should yield

benefit later. I would have thought that the Falkland issue will remain on the 'verbal' table, but might well be ignored more and more as time goes on.

I should welcome indications of where the British government thinks that I could be of assistance; naturally this must be compatible with my role as a European Parliamentarian, whose allegiance is supposed to stretch beyond the purely national.

Attachments

- (a) List of the European Delegation to the Latin American Parliament.
- (b) Opinion poll about the Falkland issue, which highlights Brazil's special position.

Fred Tuckman

1.9.82.



PARLAMENTO LATINOAMERICANO

Presidencia:

Carrera 7ª N° 12-25 - Piso 7º - Bogotá, D. E.

Secretaría Permanente:

Casilla de Correo 6041 - Lima, Perú

X ASAMBLEA PLENARIA PARLAMENTO LATINOAMERICANO

DELEGACION EUROPEA

Dr. PIET DANKERT	Presidente Parlamento Europeo
Dr. MARIO PEDINI	Presidente Relaciones América Lat.
Dr. FRED TUCKMAN	Primer Vice-Presidente
Dr. DICK TOORNSTRA	Jefe del Gabinete del Señor Dankert y Director de Política.
Dr. SIMON LUNN	Consejero Gabinete P. Dankert
Dr. JAMES SPENCE	Secretario Delegación Interparlamentaria, Administrador Principal.
Dr. DIETER OLDEKOP	Primer Secretario Comisión para Relaciones con América Latina.
Dr. ERNESTO SALAZAR	Asesor de Prensa de las Comunidades Europeas para América Latina.
ROSA VARGAS	Secretaría.
MONICA RAMBLER	Interprete,
VERONICA CARNEIRO	Interprete.

Los venezolanos apoyan a Argentina

Una encuesta realizada recientemente por el grupo "Gallup Sud" arrojó como resultado que la mayor parte de los venezolanos piensa que las Malvinas son de Argentina y que el procedimiento militar utilizado por ese país para recuperar las islas, es el correcto.

La consulta fue realizada entre el 7 y el 14 de abril en Brasil, Ecuador, Perú y Uruguay, y en Venezuela, se realizó entre el 17 y 22 de abril, cubriendo el área metropolitana de Caracas con 550 entrevistas a una población de 17 años y más.

Los venezolanos encuestados contestaron también —en su mayoría— que Argentina no debe reti-

rar sus tropas de las islas a raíz de la resolución de Naciones Unidas, que le ordenó hacerlo y que Gran Bretaña tratará de negociar pacíficamente por ellas en lugar de reconquistarlas por la fuerza.

También, la mayoría de los encuestados de Venezuela, cree que si Gran Bretaña decide tomar las islas por la fuerza, Argentina ofrecerá la lucha; que en caso de producirse un conflicto armado no sabrían quién ganará la guerra y que la ocupación argentina se realizó por una reivindicación histórica.

A continuación la encuesta, país por país, con sus preguntas y respuestas por porcentajes:

El conflicto en las Malvinas

Pregunta: "Ud. sabe que se ha producido un grave incidente en las islas Malvinas entre Argentina y Gran Bretaña. ¿A quién cree Ud. que éstas pertenecen de acuerdo a razones históricas, geográficas y de derecho? ¿A Argentina o a Gran Bretaña?"

	Venezuela	Brasil	Ecuador	Perú	Uruguay
Argentina	79	39	78	93	84
Gran Bretaña	3	40	15	4	11
Otras respuestas	-	21	7	3	5
No sabe	18	-	-	-	-
Total	100	100	100	100	100

Pregunta: "Argentina ocupó militarmente las islas desalojando a las fuerzas británicas. ¿Cree Ud. que el procedimiento militar, fue el correcto o que debió haberse negociado en forma pacífica?"

	Venezuela	Brasil	Ecuador	Perú	Uruguay
Procedimiento militar correcto	62	13	23	43	35
Negociación	24	81	77	55	65
No sabe	14	6	-	2	-
Total	100	100	100	100	100

Pregunta: "Las Naciones Unidas demandaron a Argentina el retiro inmediato de las fuerzas que ocuparon las islas Malvinas y exhortaron a ambos países a una negociación pacífica. ¿Ud. cree que Argentina debe retirar sus tropas o no?"

	Venezuela	Brasil	Ecuador	Perú	Uruguay
Debe retirar sus tropas	21	71	41	18	47
No debe retirar sus tropas	63	23	59	77	52
No sabe	16	6	-	5	1
Total	100	100	100	100	100

Pregunta: "¿Cuál cree Ud. que será en este caso la actitud de Gran Bretaña? ¿Tratará de reconquistar estas islas por la fuerza o tratará de negociar pacíficamente por ellas?"

	Venezuela	Brasil	Ecuador	Perú	Uruguay
Reconquistar por la fuerza	39	35	54	54	40
Negociación pacífica	41	55	46	41	58
No sabe	20	10	-	5	2
Total	100	100	100	100	100

Pregunta: "Si Gran Bretaña decide tomar las islas por la fuerza, ¿cree Ud. que Argentina ofrecerá o no ofrecerá lucha?"

	Venezuela	Brasil	Ecuador	Perú	Uruguay
Ofrecerá lucha	83	87	99	95	85
No ofrecerá lucha	3	8	1	4	14
No sabe	14	5	-	1	1
Total	100	100	100	100	100

Pregunta: "En caso de producirse un conflicto armado, ¿cuál de las dos naciones cree Ud. que ganará la guerra? ¿Argentina o Gran Bretaña?"

	Venezuela	Brasil	Ecuador	Perú	Uruguay
Argentina	35	14	11	34	26
Gran Bretaña	25	53	89	41	64
No sabe	40	33	-	25	10
Total	100	100	100	100	100

Pregunta: "¿Y Ud. cree que el pueblo de (su país) está de parte de Argentina o está de parte de Gran Bretaña en esta disputa?"

	Venezuela	Brasil	Ecuador	Perú	Uruguay
Argentina	81	41	98	94	74
Gran Bretaña	2	20	2	1	14
No sabe	17	39	-	5	12
Total	100	100	100	100	100

Pregunta: "Hay quienes piensan que la ocupación argentina fue motivada para distraer a la nación de sus graves problemas políticos y económicos. Otros piensan que no, que se trata de la reivindicación de un derecho histórico postergado hasta ahora. ¿Cuál de estas dos explicaciones está más cerca de su manera de pensar?"

	Venezuela	Brasil	Ecuador	Perú	Uruguay
Distracción de la opinión pública	13	40	42	14	62
Reivindicación histórica	62	39	58	79	34
No sabe	25	21	-	7	4
Total	100	100	100	100	100



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Tim: I understand that the visit of H.M. The Queen to Turpin is only 'about to be proposed' -
I think the proposal has not been agreed yet.
lead with
AA 20/8

Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister:

- Flagged at A: The Foreign Secretary's original minute about what you had strong doubts
- B: to Chief Secretary 26 August, 1982 response
- C: The Defence Secretary's response
- D: The Trade Secretary's response.

Dear Tim,

JF 27/8

AA 27/8

Relations with Latin America

John Coles' letter of 2 August recorded the Prime Minister's misgivings about some of the tactics proposed in Mr Pym's minute of 30 July on the future handling of our relations with Latin America. Mr Pym has also seen the comments of the Defence Secretary, the Chief Secretary to the Treasury and the Secretary of State for Trade.

Since this government began to make a greater effort to improve relations with Latin America there have certainly been economic changes for the worse in many Latin American countries, as throughout the world. This may have had its effect on the commercial return from the programme of Ministerial visits since 1979. These were in any case of course designed to repair a long period of relative neglect and in our view made a significant impact. But the immediate and most important political consideration now arises from the effect of the Falklands crisis.

We have a mass of evidence to show how the Argentines are actively seeking to unite Latin America behind them on the Falklands issue, and to invoke the concept of regional solidarity at the United Nations as well as within the OAS and the NAM. We must not simply leave the field open to the Argentines. Some hard work is needed if we are to preserve the relative balance in Latin American attitudes which was of considerable value to us during the Falklands crisis itself. Ministerial visits are an important element in this. And their absence would certainly be noticed, particularly when compared with the efforts of others.

Our objectives in this are practical as well as political. As the Shackleton Report points out, our chances of maintaining and developing the Falklands economy depend to a critical degree on restoring regular communications with the South American mainland. This will not be easy to achieve - but we shall not be able to keep this possibility open if our attitude to the region as a whole is interpreted as one of indifference or disdain.

Both the USA and our European allies (who believe that their own relations with Latin America suffered by their support for us during the conflict) expect us to take part in the process of restoring relations with the region. It must in any case be in our interest to make clear that our quarrel has been with the Argentine regime, and not with other Latin American nations. If we make no effort towards this end, we may increase our

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/difficulties



difficulties in retaining US and EC support on this and other issues.

There is no question of chasing South American governments too hard or pursuing policies that could be seen as a sign of weakness. Nor would the additional sums that might be required to bolster our efforts in the training and cultural fields be anything but minimal, when compared with the political and economic objectives (though we naturally accept that a detailed breakdown of the sums would need to be given to the Treasury through the normal channels once an overall policy had been approved). We do however see it as an important national interest to reinforce, albeit discreetly, the links which we have been developing with the region since 1979.

I am copying this to the Private Secretaries to the other members of OD and to Tim Allen (Bank of England).

Yours ever

J E Holmes

(J E Holmes)
Private Secretary

T Flesher Esq
Private Secretary
10 Downing Street



127 AUG 1982
M. G. N.

127 AUG 1982

MINISTERIAL VISITS TO SOUTH AMERICA SINCE MAY 1979

Argentina: Mr Ridley (July 1979)
Mr Parkinson (August 1980)
Mr Walker (September 1980)
Mr Clarke (May 1980)
Mr Walker (September 1981)

Bolivia: Mr Ridley (March 1980)

Brazil: Mr Ridley (July 1979)
Mr Nott (May 1980)
Lord Carrington (July 1980)
Mr Walker (September 1981)
Mr. Andrew (August 1982)

Chile: Mr Parkinson (August 1980)
Mr Clark (May 1981)

Colombia: Mr Ridley (February 1980)
Mr Parkinson (July 1981)

Ecuador: Lord Trefgarne (August 1979)
Mr Ridley (March 1980)

Paraguay: Lord Trefgarne (August 1980)

Peru: Mr Ridley (March 1980)
Lord Trefgarne (July 1980)
Mr Parkinson (July 1981)

Uruguay: Lord Trefgarne (July 1980)

Venezuela: Mr Ridley (July 1979)
Mr Parkinson (September 1979)
Mr Ridley (February 1980)
Lord Carrington (August 1980)
Mr Walker (September 1980)
Mr Howell (September 1980)

Mexico: Lord Carrington (August 1980)
Mr Howell (September 1980)
Mr Carlisle (March 1981)
Mr Parkinson (July 1981)

Prime Minister and Lord Carrington for
Cancun Summit (October 1981)

MINISTERIAL VISITS FROM SOUTH AMERICA SINCE MAY 1979

Argentina: Minister of Economic Affairs (June 1980)
C in C Navy (December 1980)
Minister of Agriculture (February 1981)

Brazil: Minister of Industry and Commerce (October 1979)
Minister of Mines and Energy (March 1981)
Minister of Planning (October 1981)
Minister of Industry and Commerce (November 1981)
Minister of Finance (February 1982)
Minister of Planning (April 1982)

Colombia: President Turbay (July 1979)
Minister of Finance (October 1980)

Chile: Minister of Mines (October 1981)

Ecuador: Minister of Natural Resources (1980)
Minister of Finance (April 1982)

Paraguay: Minister of Industry (April 1980)
Minister of Foreign Affairs (June 1981)

Peru: Prime Minister (March 1981)
Minister of Mines and Energy (November 1981)

Venezuela: Minister of Planning (September 1979)
Minister for Development of Intelligence
(March 1980)
Minister of Agriculture (August 1980)
Minister of Finance (May 1981)
Minister of Development (May 1981)
Minister of Planning (May 1981)
Minister of Foreign Affairs (June 1981)
Deputy Minister of Foreign Affairs (November 1981)



SWO
file for Pol.

10 DOWNING STREET

From the Private Secretary

26 August, 1982

Dear John,

The Prime Minister has seen and noted your Secretary of State's minute received here on 25 August on relations with Latin America. She has commented that she rather doubts whether you will be paid on time for Brazilian projects to which your Secretary of State refers.

I am copying this to the Private Secretaries to members of OD.

Yours ever,
Tim Flesher

TIMOTHY FLESHER

John Rhodes, Esq.,
Department of Trade

CONFIDENTIAL

B.C.



CONFIDENTIAL

Prime Minister

TJF
25/8

ms.

PRIME MINISTER

RELATIONS WITH LATIN AMERICA

I have seen Francis Pym's minute to you of 30 July setting out his thoughts on what our approach should be to Latin America in the aftermath of the Falklands hostilities. I have also noted your strong reservations on his proposals.

Before commenting on the trade aspects of the matter, which are, of course, my main concern, I should like to comment on the proposals in general. I do not believe there is a risk that the Latin Americans would interpret our approaches as a sign of weakness. Despite official support for Argentina, some Latin Americans have privately expressed sympathy and even admiration for our action. We have absolutely nothing to apologise for and it should be a prime aim of every Minister who visits Latin America to say so. I believe we should take every opportunity to rehearse to the Latin Americans the arguments in support of our claim to sovereignty over the Falklands. As the Falkland debate continues in the UN and elsewhere, I believe it will be in our interests to ensure that as many countries as possible understand our position, particularly in Latin America. Peter Rees, who is due to visit Chile, Paraguay and Ecuador next month, should have a good opportunity to make our case there and test the temperature of the water.

Latin America is immensely rich in natural resources, a fact which will make the region increasingly important in world trade in the future. It is of course chiefly because these countries rely heavily for their national income on exporting these resources - minerals and agricultural produce - that they have been hit so badly by the world recession. In the case of Mexico the effects of world recession have been compounded by bad economic management which has brought severe short term liquidity problems. But I believe we must take a long term view of the region as a whole and continue to cultivate the market in preparation for the revival which is expected in the mid-eighties.

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Our competitors are continuing to pay attention to the market and if we are to improve our low market share we must, I believe, do what we can to encourage our exporters. Visiting Ministers can open doors for businessmen and I regard this as an important objective in any Ministerial visit. I accept that we need to consider carefully the possible commercial objectives of all Ministerial visits. In Latin America a crucial factor in securing major projects business is the attractiveness of the financial package. Our competitors have frequently upstaged us in this respect, offering carefully devised packages during Ministerial visits. Within the prudence of credit limits, this is an area in which we cannot afford to stand off. The Sicartsa Steel Mill and the Projects MoU with Brazil are good examples in which, with Ministerial support, we managed to secure major project business in Latin America against tough competition. Our industry, who have given us high praise for these initiatives, would not understand if we were now to withdraw Ministerial support for companies seeking business in the region.

Our share of the Latin American market has declined over many years and is now no more than 2½%. This fact has attracted the attention of the Select Committee on Trade and Industry, who have indicated their wish to examine the reasons for our poor performance. While we must accept that there are factors beyond our control which make it unlikely that we would ever be able to gain a major share of this market, I believe it does lie within our ability to do better than we have been doing for the last 20 to 30 years.

I hope you will be able to approve the general thrust of Francis' proposals. I share his view that a well planned programme of high level visits, coupled with political, cultural and academic exchanges, can appreciably help our interests. We need not be seen to be going overboard for Latin America. Even a modest effort in gaining goodwill in the Latin American mainland could make a valuable contribution to our Falklands policy while assisting our long term commercial interests in a region where our performance has long fallen far short of that of our competitors.

I am copying this to all members of OD.

Department of Trade
1 Victoria Street
London, SW1H 0ET

Arthur Cockfield
LORD COCKFIELD

CONFIDENTIAL

(received 25/8/82.)

*Don't
wishes we
shall be
paid on
time.*



Foreign Office
Relations with
Latin America

C

2

MO 14/22

Prime Minister

H

18/8

FOREIGN AND COMMONWEALTH SECRETARY

M

I have read your views on how we might develop our relations with South America.

I hope that the immediate need to make arrangements for the future of the Falkland Islands will not distort our perception of where our real interests lie. In defence terms, Latin America must remain of limited priority. Apart from the longer-term potential which Antarctica may proffer, we have no fundamental common strategic interest. Nor have we anything significant to learn from South American military doctrine, equipment or intelligence. The direct military tie we have in Belize is one we could do without. The prospects for defence sales will remain, as they have long been, the dominating feature of our defence relationship with the continent.

If I may venture a view as an ex-Trade Minister, I believe it is not only in defence terms that Latin America is a low priority area. In nearly all countries of the region, there are too many factors which make for instability. Society is too stratified; the church is too strong. Tensions between extremes of poverty and wealth are likely to grow. And they will no doubt be exacerbated as immigration of the poor into the towns increases.

With these considerations in mind, I believe we should keep our political relationship at a low key and without diverting



too many resources.

Military contacts have a part to play in a low key strategy. Indeed, within the context of the Falklands crisis, the existence of personal contact with Britain at a senior military level may have been a factor both in Brazil's overall political posture and Chile's co-operative stance. But, equally, I am clear that such relations must be kept strictly to a military-to-military basis; and also that military initiatives must proceed firmly in tandem with our political objectives.

I am copying this letter to the Prime Minister, other members of OD and to Sir Robert Armstrong.

Mike Gram, private secretary.

[approved by Mr Holt and signed in his absence]

Ministry of Defence
18th August 1982

B



JF

1579

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Francis Pym MC MP
 Secretary of State
 Foreign & Commonwealth Office
 Downing Street
 London SW1A 2AL

9 August 1982

Francis

RELATIONS WITH LATIN AMERICA

You minuted the Prime Minister on 30 July on this matter.

At this stage I would simply wish to point out that, if the essential issue here is the alleged need for "new money", then of course the proper place to consider it is in the bilateral PESC discussions. I do not suppose that colleagues would be inclined to dispute your case for devoting extra expenditure for this purpose if the resources could be found within your existing allocation. But the issue is a PESC one, on which recent Cabinet discussion is very relevant. It would not of course be right to assume that simply because a proposal may be meritorious in its own right then additional resources should automatically be found to finance it.

You will readily understand therefore that I believe the present reference to OD is not the right procedure.

If the matter is to be pursued within PESC a rather more precise description of the costs and of the scale of what is suggested will be needed.

I am copying this letter to the Prime Minister, other members of OD and to Sir Robert Armstrong.

Leon Brittan
 LEON BRITTAN

CONFIDENTIAL

✓ Econ Policy
Indebtedness of the
Western Banks
BF Aug 82



file

10 DOWNING STREET

From the Private Secretary

2 August 1982

Dear Francis,

Relations with Latin America

The Prime Minister saw over the weekend the minute of 30 July by the Foreign and Commonwealth Secretary on the above subject.

Mrs. Thatcher has commented that she is very chary of the tactics proposed. We have already pursued them since 1979 without very much success.

Mrs. Thatcher believes that, given the Latin character, if we pursue Latin American Governments too hard they may take it as a sign of weakness.

She finds the idea (paragraph 6 of Mr. Pym's minute) that we need to cultivate the military aspects of these regimes unattractive.

The Prime Minister points out further that the financial position of many of the regimes is weak and that more subsidised trade could contribute to the disturbing banking situation which is already developing in the Western world. On this point, she would be grateful if the Treasury, in conjunction with the Bank of England, could produce a highly confidential assessment of the financial standing of the various Latin American countries and the implications of this for the banking system. You and the other recipients of this letter will wish to know that the Prime Minister has expressed particular concern about Mexico, of whose over-stretched financial situation she became aware recently.

On the question of visits by Ministers, the Prime Minister has pointed out that these tend to be occasions when more aid is asked for and given; and indeed that the recipient countries judge the "impact" of Ministerial visits by their aid content. If the effect of Ministerial visits was indeed lasting, Mrs. Thatcher considers that we ought now to be in a highly favourable situation following the visit to Latin America by Lord Carrington. The Prime Minister would be grateful for a list of all Ministerial visits to and from Latin American countries since May, 1979.

The Prime Minister's overall comment is that she very much doubts the wisdom of the tactical approach proposed. She fears

/that

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that we may be moving too quickly and too soon and without having fully considered the financial and banking situation of the countries concerned.

I am sending copies of this letter to the Private Secretaries to all members of OD and to Tim Allen (Office of the Governor of the Bank of England).

Yours ever

John Cole.

Francis Richards, Esq.,
Foreign and Commonwealth Office.

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PM/82/69

PRIME MINISTER

A
 1) am very wary of these tactics
 2) We have already followed them from 1979 without very much success

Prime Minister (2)

You will wish to await OD colleagues' views

2) These are Latin people. I don't share them too hard - they may on this.
 take it as a sign of weakness. P. 70

Relations with Latin America

MU 30/7

1. We do not know for how long the Argentines will continue to observe what they have termed a de facto suspension of hostilities, and we may have to live with this uncertainty for some time. Meanwhile I have been considering the development of our relations with Latin America.
2. Recent events have demonstrated that this Government has been right to pursue a policy designed to put more political substance into those relations. We must try to cultivate a closer political relationship in order to buttress stability, encourage democracy and develop a community of interest with a region which has natural affinities with Europe and can act as a bridge between the West and the Third World. We need also to continue to exploit the commercial opportunities offered by this relatively rich, industrialised and fast-growing region of the developing world.
3. But the Falklands crisis has put the political dimension to our relations into sharper relief. Our need to make satisfactory arrangements for the future of the Islands and their relationship with the continent of South America, our current responsibility for the defence of Belize against external attack and the possibility that Guyana will look to us for support against Venezuela, all serve to emphasise the requirement for a growing political dialogue with the more significant countries of the region.
4. In my view the opportunity is there. Despite the considerable hostility towards the UK aroused in countries like Peru and Venezuela, Latin American countries generally have a new respect for our military and diplomatic capabilities. In our future dealings with them we must be careful not to give the impression that we have anything to apologise for, or that it would be realistic in the circumstances to expect us to enter into negotiations with Argentina over the Falklands. But we do need to ensure that our policies are properly understood. We want to counter hostile propaganda and anticipate Argentine diplomatic moves against us. We want to be able to assess the

/dangers

- 3) The idea that we have to cultivate the military aspect of the regimes is not attractive.
- 4) The finances of many of these regimes are tottering and more ~~so~~ sophisticated trade could contribute to the worrying banking situation already developing in the Western world. I suggest we ask the Treasury in conjunction with the Bank to do a highly confidential assessment.
- 5) Visits by Ministers tend to be excessive when more aid is asked for and given. That is how these countries judge the "importance" of Ministers' visits. If the effect of such visits were lessening - we should now be in closer for the last F.S. visit.

You will see that I doubt very much the whole technical position. We are depending in the long run and without the fundamental technical and banking arrangements we



dangers to our other interests and commitments and to cultivate those countries most capable of being helpful.

5. We also need to alleviate American fears about the damage the Falklands crisis may have done to their interests in a region that will always loom larger for them than for us. Both the US and the European Community will want to see us contribute to the resumed development of western relations with Latin America if only to foreclose opportunities for greater Soviet or Cuban influence. In the case of our European partners it is also in our interests that they should not be able to make too much commercial progress at our expense, though we have to recognise that they are bound to move ahead of us in repairing their relationship with Argentina. It is too soon for us to do that, though we shall be considering how and when this might be done in the light of the changing situation.

6. The Falklands crisis has emphasised the diversity of Latin America. We will need to take account of each country's political and economic importance and the nature of the regime in power, as well as its attitude to us during the crisis, and its potential for furthering or hindering our interests in the future. Mexico and Brazil will deserve special attention. We need to strengthen our relations with Chile, though here (as with some other countries of the region) domestic opinion on human rights questions will remain a complicating factor. With Venezuela we will have to take account of the implications for us of her border dispute with Guyana. Belize too is a potential flashpoint. In the region as a whole delicate decisions will be required over arms sales and military assistance. The significant position armed forces occupy in Latin America, even in the democracies, make them a force that must be cultivated. However, the possibility of their providing military support for Argentina and the dangers of aggravating local tensions complicate the issues.

/7. Among



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*Have you looked at the
very overwatched James?
Mexico which was needed
recently. We can't afford
to get much more
exposed
on*

7. Among the measures at our disposal, high level visits are the most visible and effective means of demonstrating our interest. *ending*
The visit by The Queen and the Duke of Edinburgh to the west coast of Mexico (not a full State Visit) about to be proposed to the Mexican Government for early next year should make particular impact. *nt*
FCO officials are already working on a programme of visits by ministers, senior officials and MPs, and I shall be grateful for the help of other departments in drawing up a coordinated and carefully targetted programme of high-level exchanges over the next 18 months. It would be helpful if any new ideas for visits could be put to my officials as soon as possible. We shall also be reviewing the staffing of our diplomatic missions in the region, since a programme designed to develop closer political and commercial relationships will only succeed if it is properly supported on the ground.

8. However, it would be misleading to suggest that these measures will be enough on their own. If our efforts to improve relations with Latin America are to achieve the maximum effect and really lasting results, we shall need to deploy some further financial resources. We shall be doing all we can within the limits imposed by current budget programmes, making as much use as possible of the contacts and resources of outside bodies (eg Canning House, CBI) as well as existing official channels. In the field of information, the BBC can maintain its current additional broadcasting to Latin America in FY 1982/83 without making unacceptable cuts in other services. But if this is to be continued thereafter, and if the FCO and the COI are effectively to counter Argentine propaganda and improve our general impact on Latin American press and television and organise more visits to the UK by leading personalities, resources must be found from other activities. The British Council have produced a programme which would greatly increase our cultural ties with Latin America. Preliminary consideration suggests that their most promising suggestions could be implemented for a little under £1 million. And if our ministerial visits are to make a real impact ?

/they will

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they will need in some cases to be backed by modest offers of new aid activities. Existing aid framework provisions allow for little more than a continuation of existing commitments and for small training programmes. The impact we seek can probably be found in a combination of the ATP (see para 11 below), and perhaps a modest increase (say £500,000) in training awards in selected countries. We will examine the scope for the latter when considering the distribution of the unallocated reserve for 83/84 later this year.

9. If colleagues agree that it is in British interests that we proceed in this way, it must be understood that I cannot find the additional sums required within my existing expenditure programmes. The Chief Secretary will be aware of the large potential bids that have already been deployed, eg Falklands Rehabilitation, the UK contribution to UNTAG for Namibia, and the additional funds required to enable our pledge to the British Council to be honoured. Treasury have acknowledged at meetings at official level that my existing programmes will be unable to cope fully and have agreed that recourse might be had to the Contingency Reserve to top them up. It follows that for these further activities I shall require new money from the outset. These proposals have been communicated to Treasury officials. They have reserved completely the position of the Chief Secretary in regard to them and their timing.

10. Our efforts to develop our bilateral relations with Latin American countries will be undermined if they get the impression that we are a drag on European Community efforts to the same end. Decisions on the Community aid programme for Central America have had to be put off until the autumn; it is already becoming known that it is we who are holding it up. The trouble lies in our system of attributing our share of EC aid programmes to the UK aid programme, which is already fully committed. If resumed discussions with the Andean pact and the Group of Latin American countries result in pressure for more EC aid which we are alone in resisting, the damage to our interests could be considerable. We cannot afford to undermine our whole policy towards Latin America by failing to find

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the extra sums that would be necessary.

11. Department of Trade officials are I believe already undertaking a full review of the state of play on major projects and of their proposed trade promotion activities. The draft aid framework already provides for an increase in the ATP from £55 million in this year to £66 million in 83/84, and I would expect Latin America to benefit considerably from this source, though we should of course use ATP only where it can be proved that such terms are indispensable to our commercial success. Finally, in view of the importance of the armed forces in the power structure of most Latin American countries it would be useful if Ministry of Defence officials could be asked to review their current programme of high level visits, future training offers and proposed secondments to South American armed forces. I gather that defence attaché representation is already under review.

12. I am sending copies of this minute to all members of OD.

(FRANCIS PYM)

Foreign and Commonwealth Office
30 July 1982

CONFIDENTIAL

RESTRICTED



Foreign and Commonwealth Office

London SW1A 2AH

2 June 1982

Prime Secretary

A. J. C. Esq.

ms
Dear John,

I understand that the Prime Minister is giving a number of interviews later today in the course of which she would like to refer to British links with Latin America and illustrate our continuing commitment to and involvement with that region.

/ I therefore enclose a speaking note on this subject.
/ I also enclose some notes on the historical connection with
/ Latin America (together with a COI pamphlet on the subject),
/ and on recent evidence of this Government's interest in the
/ region. These notes could perhaps best be used as a further
/ quarry for speaking points. We are updating a paper
prepared in 1980, about the "Political importance of Latin
America" for the UK, which puts the region into a British
perspective, and will send this to you before the Versailles Summit.

We have not given extensive details of current British investment and contracts with Latin American countries in the notes, because - until hostilities cease with Argentina - we do not want to draw particular attention to these; they might prove hostages to fortune if our relations with other Latin American countries were to deteriorate further before the period of reconciliation.


Yours ever

J E Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

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HISTORICAL LINKS BETWEEN BRITAIN AND LATIN AMERICA

The British Government and people played a central role in the emergence of independent South American countries from the former Spanish colonial empire. It was Canning, as Foreign Secretary, who referred to 'calling the new world into existence to redress the balance of the old'. When Simon Bolivar won the decisive Battle of Carabobo, he had a volunteer 'legion' of British troops fighting with him who distinguished themselves in the battle. Bolivar always acknowledged the help he had had from Britain. Similarly, Admiral Lord Cochrane played a prominent role in the independence struggles of Brazil, Chile and Peru; his victory at the Battle of Valdivia in Southern Chile being the most conclusive naval engagement of the Chilean Wars of Independence. When General San Martin led the Army of the Andes from Argentina to Chile to win the decisive land battle of Chilean independence at Chacabuco, he had a distinguished British soldier - General Miller - marching with him and fighting at his side. There were numerous other examples of British involvement and sacrifices during the Liberation Wars.

During the years of consolidation of the newly independent South American states, Britain was the foremost European investor: public services in most South American countries were installed by British engineers using British technology and British capital. The railway systems in the Andes and the

/tramways



tramways - some of them still in existence - in South American capitals are but two examples.

Technology and money was matched by infusions of British people. There are sizeable British communities in many of the most rugged areas of Latin America: in the extreme south of Chile and in Argentine Patagonia, in the mining communities of the Atacama Desert and in the High Andes.

Communications between South America and the rest of the world were largely set up by the British: firstly, shipping companies such as the Royal Mail Line and the Pacific Steam Navigation Company established sea services, and in more recent times British airlines - currently British Caledonian - have played an important part in the air links between South America and Europe.



CURRENT RECOGNITION OF THE IMPORTANCE OF LATIN AMERICA

The present British Government has made sustained efforts to develop and strengthen its relations with the countries of Latin America. This has been in recognition not only of the region's vast economic potential and of the markets which it has traditionally provided, but more particularly of the growing political importance of Latin America and of its influence in world affairs. We have sought wherever possible to develop a genuine political dialogue. The clearest evidence of this lies in the unparalleled number and level of Ministerial exchanges with Latin America over the past three years. The first-ever visits of a Foreign and Commonwealth Secretary were made to Brazil, Venezuela and Mexico in 1980. The Prime Minister visited Mexico in 1981. In addition, there has been a vigorous series of visits, both inward and outward, by British Ministers and their Latin American counterparts. This policy of consolidating relations with Latin America is one which has also been pursued with energy and enthusiasm by the Community and we have played our full part in this. With the prospect of Spanish and Portuguese accession to the Community with their historical links with Latin America, we hope that these efforts can be given even greater impetus.

A note is attached on Ministerial exchanges with Latin America (both inward and outward) which have taken place under the present Government.



MINISTERIAL VISITS TO SOUTH AMERICA SINCE MAY 1979

Argentina: Mr Ridley (July 1979)
Mr Parkinson (August 1980)
Mr Walker (September 1980)
Mr Clarke (May 1980)
Mr Walker (September 1981)

Bolivia: Mr Ridley (March 1980)

Brazil: Mr Ridley (July 1979)
Mr Nott (May 1980)
Lord Carrington (July 1980)
Mr Walker (September 1981)

Chile: Mr Parkinson (August 1980)
Mr Clark (May 1981)

Colombia: Mr Ridley (February 1980)
Mr Parkinson (July 1981)

Ecuador: Lord Trefgarne (August 1979)
Mr Ridley (March 1980)

Paraguay: Lord Trefgarne (August 1980)

Peru: Mr Ridley (March 1980)
Lord Trefgarne (July 1980)
Mr Parkinson (July 1981)

Uruguay: Lord Trefgarne (July 1980)

Venezuela: Mr Ridley (July 1979)
Mr Parkinson (September 1979)
Mr Ridley (February 1980)
Lord Carrington (August 1980)
Mr Walker (September 1980)
Mr Howell (September 1980)

Mexico: Lord Carrington (August 1980)
Mr Howell (September 1980)
Mr Carlisle (March 1981)
Mr Parkinson (July 1981)

Prime Minister and Secretary of State for Cancun Summit
(October 1981)



MINISTERIAL VISITS FROM SOUTH AMERICA SINCE MAY 1979

- Argentina: Minister of Economic Affairs (June 1980)
C in C Navy (December 1980)
Minister of Agriculture (February 1981)
- Brazil: Minister of Industry and Commerce (October 1979)
+Minister of Mines and Energy (March 1981)
+Minister of Industry and Commerce (November 1981)
Minister of Finance (February 1982)
Minister of Planning (April 1982)

+Minister of Planning (October 1981)
- Colombia: President Turbay (July 1979)
Minister of Finance (October 1980)
- Chile: Minister of Mines (October 1981)
- Ecuador: Minister of Natural Resources (1980)
Minister of Finance (April 1982)

- Paraguay: Minister of Industry (April 1980)
Minister of Foreign Affairs (June 1981)
- Peru: Prime Minister (March 1981)
Minister of Mines and Energy (November 1981)
- Venezuela: Minister of Planning (September 1979)
Minister for Development of Intelligence (March 1980)
Minister of Agriculture (August 1980)
Minister of Finance (May 1981)
Minister of Development (May 1981)
Minister of Planning (May 1981)
Minister of Foreign Affairs (June 1981)
Deputy Minister of Foreign Affairs (November 1981)

Visits in prospect

- Brazil: Minister of Communications (August 1982)
President (1983)
- Venezuela: Minister of Energy



SPEAKING NOTES FOR PRESENT USE

Appreciate difficulties which Falklands crisis has created for Latin American Governments. Naturally conscious of possible effects on bilateral relations with countries of the region.

Our relations with Latin America of great importance to us. Long-standing political, commercial and cultural contacts. In recent years we have given priority to region, not only in trade field but also politically. Fully aware of the potential of the region and of its influence.

Proud of past role in political and economic development in Latin America. Value part we played in achievement of self determination in early 19th century. This consistent with Britain's own role in decolonisation: we have brought 40 Commonwealth states to independence. British determination to defend Falkland Islanders' right to choose their future in same spirit as we fought alongside the great Latin American liberators.

Believe there is widespread understanding of these principles in Latin America. Recognise that many countries of the region have to support Argentine sovereignty claim and wish to demonstrate regional solidarity. But also widespread condemnation of example set by Argentine aggression and recognition of dangers for other territorial disputes in the region.

Our objectives on the Falklands limited. Conflict not of our choosing. Went to great lengths in attempt to find peaceful solution. Using only minimum force to end Argentine aggression.



Our dispute only with Argentine military junta. Not with Argentine people: and certainly not with other countries of Latin America. We have no wish to widen the scope of the present crisis.

Confident of our future positive role in the region. Alongside our immediate aims in the Falklands, we are naturally thinking of the future. We recognise that Latin American interests are involved. Latin America's growing influence has a force for peace and international order (symbolised by Perez de Cuellar) and as bridge between North and South.

No reason why our relations with the region should be damaged. Inevitably some strains. But want to heal these as soon as possible. We have strong links and great potential for future cooperation.

COI pamphlet:

Britain and Latin America

(December 1972)

INTRODUCTION

THE AIM of this reference pamphlet is to survey broadly and briefly the relations between Britain and Latin America and their past and present contributions to each other's political, economic, social and cultural development. Latin America, for this purpose, is taken to mean the 19 independent countries in America and the Caribbean, in which the principal language spoken is Spanish, or, in the case of Brazil, Portuguese.¹ Although this vast and diverse area is treated as a whole in the pamphlet, it need scarcely be said that the relationship of each country with Britain varies greatly in its nature and importance.

During the struggle for independence, Britain played a major role in helping the new republics to establish themselves, both through diplomatic support and through the volunteers who fought in the armies and navies of the liberation movement. Moreover, though the main external inspiration of the independence movement was the French Revolution, Latin American intellectuals have never looked solely to Latin Europe, and the writings of the British political philosophers and statesmen and the example of the British parliamentary tradition were not without their influence.

In the nineteenth century British men, money and capital goods provided the bulk of the external assistance to the economic development of the new republics, most of which also found in Britain their main market for the exports of food and raw materials by which their imports of capital goods had in the long run to be financed. By the end of the century, British investment in Latin American securities is estimated to have amounted to over £500 million at par value, most of it in government securities or in railways. British investment reached its peak in the 1920s, but virtually came to an end after 1929 as a result of the economic situation prevailing at the time. There followed a period of substantial disinvestment. Trade between Britain and Latin America was also drastically reduced after the two world wars and the economic depression in Europe.

Although trade and investment have never returned to their earlier level and form only a very small proportion of total trade and total external investment in Latin American countries, there is now in Britain a significant renewal of interest in the opportunities offered by Latin America as a market for goods and expertise in keeping with the region's agricultural and industrial development and as a field for investment. In recent years Latin America's overall rate of growth has substantially exceeded the figure for the developed countries and the developing countries as a whole and in *per capita* terms it overtook the rate of growth of industrialised countries in 1970. Throughout the region there are huge natural resources still to be exploited and, despite the high rate of population growth, almost unlimited land resources.

British skills and specialised knowledge—technical, financial and managerial—have continued to contribute to Latin American development—mainly through ordinary commercial channels, though officially sponsored

¹The French-speaking country Haiti in the island of Hispaniola is included in some of the figures given for Latin America as a whole.

technical assistance has recently become of increasing importance. Apart from visiting advisers and other experts on short contracts, there are in the main Latin American cities, and indeed in some smaller settlements, permanent British communities which play an appreciable part in local business and cultural life. Cultural links between Britain and Latin America have tended to grow stronger in recent years. Since 1964 considerably wider facilities have been developed for Latin American studies within Britain.

Another sign of increasing interest has been the exchange of visits at the highest level. In November 1968 Queen Elizabeth and the Duke of Edinburgh visited Brazil and Chile. Other members of the Royal Family have paid both official and private visits to Latin America since then and there have been visits by ministers and senior government officials to and from most Latin American countries.

BRITISH DIPLOMACY AND INDEPENDENCE

BEFORE 1808, when Spain was Napoleon's ally, Britain encouraged the Latin American independence movement and considered the possibility of intervention in Latin America. However, after two brief abortive interventions—one at Montevideo and the other (an unauthorised initiative by a British commander) at Buenos Aires—the British Government, on the advice of Lord Castlereagh, the Foreign Secretary, decided against intervention or any action which would present them in any other light than as auxiliaries and protectors. The peoples of Latin America won their own independence, but Britain gave them more help than any other foreign power, both by its refusal to countenance intervention by countries other than Spain and by the assistance rendered by British volunteers and British money.

During the Napoleonic wars, British control of the sea ruled out the possibility of a Napoleonic intervention in Latin America. The Portuguese Royal Family were conveyed from Lisbon to Brazil under the protection of the Royal Navy. After their arrival in 1808 the ports of Brazil were thrown open and it was not long before colonial governors or the new revolutionary authorities in other countries of the region began to do the same. British firms and agencies were soon established in the ports and capitals and their representatives, like the officers of the naval vessels, were important channels of influence and information. The British naval station in Spanish America, established at Rio de Janeiro in 1808 with the aim of defending Brazil from French attack, had by 1819 become a formidable force. Ships were widely distributed from Buenos Aires in the south as far as the coast of Mexico in the north. Officers of the fleet looked after consular affairs in the regions where they were stationed and sometimes acted as intermediaries between patriots and royalists. The *Cortes* of Cadiz, in Spain, in need of British assistance against the French, gave some sort of recognition to Britain's growing trade with the Spanish-American colonies and requested and obtained Britain's good offices as mediator with the colonies.

The period of mediation lasted until 1820. When the Spanish monarchy, which had been restored in 1815, sought to re-exert its authority over the colonies, the British Government refused to lend armed support and circulated to the other European Powers a memorandum opposing the use of force. Spain, however, resisted the urging from the Powers to accept mediation by the Duke of Wellington and sent troops, unopposed but also unaided by any other Power, across the South Atlantic.

Castlereagh's policy had been to work for the joint recognition by the European Powers of the colonies which had actually already won their independence. When he died in 1822, Canning, the new British Foreign Secretary, began at once to pursue an active policy. In August 1823, he suggested to the United States that the two maritime Powers should jointly declare that they would oppose any European attempts to seize the Spanish colonies.

The United States Government countered by suggesting that recognition of the independence of the colonies should precede the issue of the declaration. Canning was not prepared to accept this. However, he sent 'commissioners'

that autumn to Mexico and Great Colombia to discover and report whether the new governments were genuinely independent, popularly supported and able to resist attack. Then in October 1823, Canning obtained from the French Ambassador in London an undertaking that France would not employ force against the Spanish colonies. On 2 December 1823, President Monroe of the United States issued a statement to the effect that any oppressive action by European Powers against the new states would be regarded as unfriendly towards the United States and enunciated the principle that 'The American continents are henceforth not to be considered as subjects for future colonisation by any European Powers'. This statement has become celebrated as the Monroe Doctrine.

At the same time Britain was pursuing a policy of commercial recognition of the new republics, a policy which strengthened their economic and political position and helped to pave the way for full recognition. In 1822 Castlereagh provided for the recognition of the flags of South American ships. Canning at once arranged for the Royal Navy to defend British trade with Latin America from pirates and proceeded to send out consular agents, including Consuls-General in Mexico, Colombia, Argentina, Chile and Peru.

In January 1824, Canning, in answer to pressure from France and Spain for a conference on Latin America, sent a despatch defining the British position which, he said, it was needless to repeat at a conference. The British Government, he wrote, was 'decidedly of opinion that the recognition of such of the new states as have established, *de facto*, their separate political existence, cannot be much longer delayed'. He offered the British Government's 'Countenance and aid' in a negotiation between Spain and the new republics and said that Britain would, through such a negotiation, readily see that Spain secured most-favoured-nation treatment in commerce. On the other hand if Spain attempted to revive the former trading position in the area or to use foreign aid to re-establish her dominion by force of arms, recognition by Britain of the independence of the former colonies 'would be decisive and immediate'.

British Recognition of the New Republics

At the close of the wars of independence in 1826, Latin America comprised Mexico and a federation of Central American states and in the southern peninsula Brazil and six Spanish-speaking states. These were Great Colombia, by 1830 broken up into Colombia, Ecuador and Venezuela; Peru; Chile; Bolivia; the Argentine confederation; and Paraguay. Uruguay seceded from Argentina and Brazil in 1828.

Recognition of Argentina (called, until 1830, the United Provinces of the River Plate) was decided on by the British Cabinet in mid-1824, with the proviso that there must be a National Government able to speak for the United Provinces as a whole. The Government of Buenos Aires thereupon reported to the Constituent Congress: 'Great Britain, unfettered by the engagement of the Allies, has adopted with respect to the States of America a conduct noble and worthy of a nation the most civilised, the most independent and certainly the most powerful of Europe . . .'. The several Provinces agreed to a fundamental law empowering the Government of Buenos Aires to act as a provisional National Government, and, on 2 February 1825,

the Commercial Treaty with Britain was signed in Buenos Aires and ratified at once by Britain.

Colombia, known then as New Granada, won complete independence in 1819 at the battle of Boyacá. The Republic of Great Colombia was subsequently formed, uniting Colombia, Ecuador, Venezuela and Panama. Britain announced its decision to recognise Great Colombia and Mexico in January 1825. In Bogotá a treaty with Colombia was easily concluded, but the Mexican Government altered certain of Canning's conditions and the treaty was not ratified until 1827. Nevertheless Mexico was regarded as recognised after a British *chargé d'affaires* had been appointed in 1825. In 1829 Venezuela, whose struggle for independence from Spain had lasted from 1810 until the battle of Carabobo in 1821, became a sovereign state independent from Colombia. The following year Ecuador followed suit. As the Province of Quito it had begun its independence movement in 1809 and won its liberation from Spain at the battle of Pichincha in 1822:

Chile had declared itself independent in 1810, but it was not until the battles of Chacabuco in 1817 and Maipo in 1818 that the power of the Spaniards was finally broken. Peru was finally liberated in 1824 at the battles of Junín and Ayacucho, while Bolivia, previously known as Upper Peru, became a sovereign republic in 1825. Simón Bolívar, the great South American liberator, told the British Consul-General in Peru in 1826 how valuable he thought the commercial treaties between Britain and the new states and urged the conclusion of such an agreement between Britain and Lower Peru as soon as the necessary reforms in government had been established. In the event, however, recognition of Peru, Bolivia and Chile did not come for some ten years.

In its political situation Brazil differed from the former Spanish colonies. The monarchy of Portugal was for a time transferred to Rio de Janeiro and independence was achieved through a complicated arrangement within that monarchy, under which the former colony became an empire, separate from the mother country. Moreover, in Brazil, unlike Spanish America, Britain enjoyed considerable trading privileges as a result of treaties with Portugal dating from the seventeenth century. In 1810 a treaty between Britain and the Portuguese Government of Brazil established reciprocal most-favoured-nation rights and guaranteed commercial privileges and special rights to the subjects of one country resident in the other. In 1821 the Portuguese court returned to Lisbon leaving Dom Pedro, the King's eldest son, as Prince Regent in Rio. Attempts by the Lisbon *Cortes* to restore Brazil's colonial status, led finally to the proclamation by the Prince Regent of an independent Brazilian Empire. At first Canning's policy was to delay recognition of Brazil until the Portuguese court had conceded it. International dangers inherent in delay, however, led Canning to change his policy: he gave warning that if recognition were not accorded before the 1810 treaty became due for renewal, he would be forced to begin negotiations with Brazil. Finally, in mid-1825, the Portuguese court agreed to a formula of recognition and negotiations were conducted on its behalf in Rio by Sir Charles Stewart, British Ambassador in Lisbon, acting as the plenipotentiary of Portugal. When recognition of Brazil's independence had thus been secured, negotiations were opened for a new Anglo-Brazilian commercial treaty. By this treaty,

concluded in 1827, Britain secured in the Empire of Brazil those privileges which she had previously enjoyed by virtue of the treaty of 1810.

The outbreak of naval warfare in 1825 between Brazil and Argentina threatened the growing trade of the area lying on the north bank of the estuary of the River Plate, which had for 200 years been disputed between Portugal and Spain. In 1826, therefore, Canning suggested to Lord Ponsonby, who was then about to take up the post of Minister at Buenos Aires and at the same time was to act as mediator between Argentina and Brazil, that 'the town and territory of Montevideo should become and remain independent of either country'. After two years of arduous negotiations, a treaty was finally signed between Brazil and Buenos Aires establishing the independent republic of Uruguay.

The attitude of Britain at this period is illustrated in Canning's description of the duties of the commissioner, whom he sent to the congress, held in Panama in 1826 on Bolívar's invitation and attended by representatives from Colombia, Peru, Mexico and Central America. The commissioner was 'not to interfere in any way in the international concerns of the newly independent American states, but, while he watches over the interests of Great Britain in her relations with those states, to afford every assistance that may be required of him to the deliberations of the Congress so far as the same may consist with the neutral position in which Great Britain is placed between the American states and Spain, and to evince by all means in his power the anxious desire of his Government to maintain harmony between the several states of America, to restore peace (if possible) between these countries with Spain, and to preserve the general tranquillity of the New World and of the Old'.

BRITISH CHAMPIONS OF INDEPENDENCE

There was in Britain at the time of the Latin American independence movement an influential body of liberal opinion anxious to see the peoples of Latin America achieve the freedom for which they were fighting, and ready to give assistance, in the form of loans and credit with which arms and stores were purchased, to its attainment. Economic motives also played a part in this support for the liberation movement in Latin America, as did the desire to see the slave trade brought to an end, and the powers of the Spanish Inquisition terminated in the area.

In the years after the end of the Napoleonic wars in Europe, large numbers of British volunteers served in the armies of those fighting for the liberation of Latin America. The great Liberator, Simón Bolívar, came to London himself as early as 1810, on behalf of the newly formed insurgent government in Caracas, to seek British support, and the work of recruiting volunteers was carried on under the authority of the Venezuelan agent in London, Luis López Méndez, by such British officers as James English and George Elsom and by John Devereaux in Ireland. The first British expedition set out in 1817; by the middle of 1820 more than 50 ships had left Britain and Ireland, carrying over 6,500 officers and men and great quantities of arms and munitions. Most of the volunteers were veterans of the Peninsular War and the Waterloo campaign. In the ensuing campaigns in the tropics of what are now Venezuela and Colombia, five-sixths of them were either killed in battle or died of pestilence, fever and the hardships of warfare in desert, swamp and mountain country. Throughout his campaigns Bolívar was rarely without one or more British or Irish aides-de-camp. Notable among these were General Daniel Florence O'Leary, Colonel Sir Belford Hinton Wilson and Lt. Colonel W. Ferguson, who was killed defending Bolívar from assassination in Bogotá in 1828. These men were often entrusted with difficult and delicate missions because of their courage, integrity and devotion to Bolívar. Another adviser was General F. B. O'Connor, who was chief of staff to General Sucre in Peru. British volunteers also served under José de San Martín, the hero of Argentina. Some of the volunteers stayed permanently in the independent republics, notably in Colombia and Ecuador, and played a valuable part in their development after the end of hostilities. The memoirs, narratives and travel accounts left by some of these early visitors constitute an excellent source for study of events and social conditions of that period.

Bolívar himself said: 'From remote climes a British legion has left its glorious fatherland to acquire the renown of being the Saviours of America'. A century later, in 1926, the Pan-American Centennial Congress, meeting to commemorate Bolívar's Congress of Panama, paid tribute to the part played by Britain in the liberation movement. In particular it praised the bravery, loyalty and constancy of the British volunteers whose blood was shed on every battlefield of the War of Independence; the service rendered by the survivors who chose to stay and live in the new republics; and the work done by such chroniclers as O'Leary, Miller, O'Connor and Stevenson, in recording for posterity the events of that great war.

The Land Campaigns

Soon after the arrival of the British contingent, generally referred to as the British Legion, in Venezuela in 1819, Bolívar launched his expedition to take Bogotá, the capital of New Granada (modern Colombia). The battalion of volunteers which joined Bolívar's expedition numbered some 240 officers and men and was put under the command of Colonel James Rooke. With them was the regiment known as the 1st Rifles, recruited and trained mainly by British volunteers and commanded from 1819 to 1824 by Arthur Sandes. During the arduous crossing of the Andes about a quarter of Rooke's men were lost, but the British contingent fought valiantly in their first major engagement at Pántano de Vargas on 25 July 1819, dislodging the Spanish forces from a position in which they threatened to destroy the liberating army. In the battle Rooke was mortally wounded. At the battle of Boyacá on 7 August, where the decisive victory in the liberation of Colombia was won, the British volunteers, now under the command of Major John Mackintosh, again distinguished themselves. For their valour at Vargas, Bolívar conferred on them the Star of the Order of Liberators; after Boyacá and the triumphal entry into Bogotá he renamed them the Albion Battalion.

From Bogotá Albion marched south to help clear southern Colombia of royalist forces. It again distinguished itself in action against the enemy but suffered many casualties and was still further reduced while serving under General Valdés near Pasto in 1821. The Rifles meanwhile went north to link up with another patriot army and in March 1820 began to harass the northern Colombian coast. The Irish Legion constituted two-thirds of this force, which in November succeeded in taking the important communications centre of Santa Marta. Another force of British volunteers, serving under General Urdaneta, carried out raids on the eastern coast of Venezuela in order to divert the royalist forces and prevent reinforcements reaching New Granada. Volunteers also joined the patriot division of General Páez and raided Spanish outposts along the Arauca River throughout 1819 and 1820.

Other British volunteers played a distinguished role in the victory at Carabobo on 24 June 1821, which was the culmination of Bolívar's campaign to liberate Venezuela. Led by Colonel Ferriar, remnants of the British Legion, including those that had served under Urdaneta, and a contingent of the Irish Legion, were placed under General Páez's command. Bolívar ordered Páez to take his division, including the British battalion, on a flanking movement, but the division came under heavy fire from the Spanish who were holding the hills on the opposite bank of the Carabobo stream. The British battalion crossed the stream and advancing steadily up the slope forced three enemy battalions to yield ground at bayonet point. This enabled Páez's cavalry to attack the Spanish right wing and within an hour the battle was won. In recognition of their bravery the volunteers that survived were awarded the Order of Liberators and renamed the Carabobo Battalion. Bolívar wrote in his report on the battle that 'the British Battalion commanded by the noble Colonel Ferriar was especially distinguished even among such brave associates'.

Members of the Albion Battalion, along with other British volunteers, had joined General Sucre, who in accordance with Bolívar's plan to liberate Quito (modern Ecuador) had come to Guayaquil in 1821 with troops from

Colombia and Venezuela. After a successful battle at Babahoyo against the Spanish, Sucre moved to occupy Yaguachi. There he joined forces with the enemy on 19 August. Albion was commanded by Colonel John Johnston, while Mackintosh led another battalion which had been trained by British officers. A small contingent from Albion, led by Captain Charles Smith, attacked and destroyed the Spanish rearguard. The battle ended in victory for Sucre, but the next month he was defeated at Huachi. There were many casualties among the patriot forces and the British, most of whom, including Johnston and Mackintosh, were taken prisoner. After an armistice, during which prisoners were exchanged, Albion was reorganised and once more under Mackintosh it attached itself to Sucre's army for what was to be the final stage in the campaign in Ecuador. On 7 April 1822 Bolívar defeated the Spanish army at Bomboná in northern Quito (modern Colombia). Here, too, a few British volunteers were present. After a long march Sucre reached Pichincha, overlooking Quito, and on 24 May began battle with the Spanish, who had taken up positions in front of the capital. As the patriots ran short of ammunition and the enemy was on the point of breaking through, O'Leary, who was acting as aide-de-camp to Sucre, brought up more ammunition, together with the Albion Battalion. 'Joining in with that gallantry that has always distinguished this force', as Sucre afterwards reported, Albion routed the royalists' best battalion, the Aragón. Their success turned the tide of the battle and by noon the Army of Liberation had gained a complete victory. Shortly after the Spaniards surrendered the entire Province of Quito. In 1823 the Albion Battalion was disbanded in Bogotá. Many of its officers and men became Colombian citizens.

In the Peruvian campaign of 1824 British volunteers, including the 1st Rifles under Sandes, again distinguished themselves. After Bolívar had marched south over the Andes from Colombia into Peru, the battle of Junín took place on 6 August. A cavalry charge led by General William Miller helped to win the day. This was followed on 9 December by the battle of Ayacucho, which completed the liberation of Peru. This victory allowed Bolívar to send a force into Upper Peru, which in August 1825 declared its independence as Bolivia.

Naval Exploits

In 1817 the Chileans offered the command of their navy to Lord Cochrane, a British naval officer who had been a noted fighter for reform at home. The colonists on the Pacific coast, led by General San Martín and General Bernardo O'Higgins, the Supreme Director of Chile, were at that time in a perilous position, with the hostile Spanish fleet in control of the seas. Cochrane accepted the Chileans' offer and in 1818 sailed for Valparaiso in the sloop *Rosa de los Andes*, commanded by Captain John Illingworth, who had been recruited by the Chileans at the same time as Cochrane. Among Cochrane's officers were a number of British captains such as Wilkinson, Crosbie, Forster and Miller, a Peninsular veteran and commandant of marines. Despite the smallness of his navy Cochrane harassed the great Spanish fleet and blockaded it at Callao, although he was unable to capture the base itself. Towards the end of 1819, however, he stormed Valdivia, the base from which the Spaniards threatened the Chilean patriots, and eventually

captured it in a remarkable engagement, against great odds, thus giving Chile its freedom.

In 1820 the patriot army under San Martín embarked in the fleet to launch a combined operation against Lima and Callao. Cochrane with his own detachment succeeded in cutting out from Callao the enemy flagship *Esmeralda*, but was wounded in the action. Eventually in July 1821 Lima was forced to capitulate. Although the last Spaniards did not leave Callao until 1826, the victory drove Spanish ships from the western seaboard. The independence of Peru was declared on 28 July.

Subsequent relations between San Martín, proclaimed Protector of Peru, and Cochrane were not happy, and after further action on the high seas Cochrane returned to Chile in June 1822. At the end of the year he accepted an invitation from Dom Pedro of Brazil to enter his service and from March 1823 until 1825 he fought in the cause of Brazilian independence. He occupied the Bahia coast for the Emperor and then liberated the Provinces of Maranhão and, with the help of his aide John Pascoe Grenfell, Pará. Grenfell, who had also fought in the Chilean campaign, later became an admiral in the Brazilian navy and several other British officers served in senior posts.

Several hundred British volunteers, officers and men, served in Bolívar's navy during his liberation campaigns. One of the most famous was John Illingworth, who sailed with Cochrane to Chile, and with his sloop *Rosa* harassed Spanish ships along the coast from Valparaiso to Panama. In one encounter off the coast of Ecuador in 1820, he engaged a far superior Spanish frigate, *Prueba*, severely damaged her and put her to flight. He assisted Cochrane in the blockade of the Spanish fleet at Callao. After being shipwrecked, he and part of his crew joined the Colombian patriots in their southern campaign. Illingworth was given a colonel's command by Bolívar and served under Sucre at Yaguachi. He then marched towards Quito, but when Sucre was defeated at Huachi he was forced to return to Guayaquil. There he was made responsible by Sucre for all naval affairs. In 1825 he was appointed to the command of the combined fleets of Great Colombia and Peru. He undertook to found a naval college in Guayaquil to be the source of Ecuador's navy, of which he is held to be the founder. He directed operations at sea against the Spanish fleet and in 1826 received the capitulation of Callao, the last Spanish bastion in South America.

Thomas Charles Wright was notable for his part in campaigns at sea as well as on land. As a boy he had entered the marines and seen service with the navy before joining the volunteers in Venezuela in 1818. He served with the Rifles in their campaigns until 1823, when he was called by Bolívar from his battalion in Quito and given command of a Colombian warship at Guayaquil the following year. He was promoted to naval captain as Commodore of the Southern Squadron of Colombia, ferrying troops to Peru and in naval action against the Spaniards off Callao. Later he returned to the army and reached the rank of Divisional General in Ecuador.

ECONOMIC RELATIONS: BRITAIN'S HISTORIC CONTRIBUTION¹

AFTER Latin American countries had achieved independence, the opening of their ports to trade made possible the introduction of the fruits of European technical improvements. A sense of these possibilities, together with interest in and sympathy with the new republics, led to a boom in British investment in Latin America as early as 1822–25. The London merchant banks and financial houses, concurrently with some commercial firms, issued several series of bonds, to a value exceeding £21 million sterling in all, on behalf of various Latin American governments needing funds to discharge debts incurred in the Wars of Independence. At the same time more than 40 joint stock companies were incorporated for such ventures as pearl fishing, the opening of a canal in the Central American isthmus, the establishment of settlers in the River Plate countries and prospecting for and developing gold and silver mines. A general South American Mine Association, later sub-divided into 21 companies with an aggregate capital of £25 million sterling, was floated for prospecting.

Early Investment

Unfortunately these investments were ill judged. Most of the joint stock ventures failed. Issuing houses and intermediaries made excessive profits on the government bonds, and the sterling earnings of Latin American governments proved insufficient to meet the interest due. Confidence in Latin American development returned about the middle of the nineteenth century and the British business communities, which had remained in being in Buenos Aires, Rio de Janeiro and other Latin American cities, were again able to mobilise British capital for Latin American development. From then until the outbreak of the first world war, British investment in Latin America built up fairly continuously, but most rapidly in the decade from 1880 to 1890 and in the first 14 years of the twentieth century.

Investment 1849–1914

From 1849 onwards there was considerable British investment in Latin American government bonds and in Latin American railways, tramways and other public utilities. Between 1851 and 1880 Latin American government bonds with a nominal value of more than £130 million sterling were issued on the London Stock Exchange, principally for Peru, Brazil, Argentina, Mexico and Chile.

Between 1880 and 1914 British trade with and investment in Latin America grew very rapidly as new rail and shipping links opened up the countries and new resources, both mineral and agricultural, were developed.

During this period the character and distribution of British investments changed considerably. The proportion formed by private securities rose from just over 30 per cent to just under 70 per cent. Investment was increasingly concentrated in the more populous countries and those with the more

¹See Appendix 1.

temperate climates—hence in Argentina, Brazil, Mexico, Uruguay and, to a lesser extent, Paraguay.

The kinds of enterprises favoured by British investors also changed. From 1880 to 1890 there was a boom in railway building, particularly in Argentina, Brazil, Chile, Venezuela and Mexico. There was also a substantial increase in other public utilities (submarine cables, gas plants, waterworks, telephones and tramways), mining companies (particularly in Mexico) and corporate real estate enterprises (mainly in Argentina). The inflow of British capital to the agricultural countries of the temperate zone permitted the large-scale application of technological innovations (barbed wire enclosures and meat chilling, for example), which enabled the River Plate countries to increase their meat and grain sales to Britain. This expansion of exports and increase in foreign exchange earnings encouraged further British investment. After 1900, though British investors continued to put their money primarily in railways, public utilities, mines and nitrate fields, they also became increasingly interested in petroleum extraction and refining.

The returns received by British investors varied. Some lost their capital, for example, in rubber-growing plantations and in certain government bonds, while others, particularly those investing in temperate zone agriculture and financial institutions, won substantial returns.

Other financial contributions at this period included the direct investment of British firms; the capital brought in by immigrants; the money made available through British banks and other financial institutions; and the extensive and extended trade credits given by British exporters and the resident British mercantile communities.

Britain's Human Contribution

In addition to money, Britain provided men—work, enterprise, knowledge and skill. The British immigrants were not numerous compared with the Italians and Spaniards, but they played a key role in Latin American development. British engineers planned and controlled construction of railways, gas plants, waterworks, telephones, tramways, port and harbour facilities and other civil engineering works, which would often use some, or even a preponderance of, British-born labour. British businessmen in conjunction with prominent Latin Americans planned and operated major ventures and, indeed, many of them devoted their whole lives to Latin American development.

British farmers and agricultural specialists introduced new methods, new crops and new breeds of livestock, including Shorthorn cattle. British bankers and financial experts helped the mobilisation of local as well as British and international capital and facilitated trade and development.

Many British immigrants settled permanently and their descendants have continued to be prominent in the life and development of Latin American countries, particularly of Argentina, which still has the largest population of British descent of any country outside the English-speaking world.

A prerequisite of Latin American development was the establishment of better communications with the rest of the world through the coming of the steamship and the growth of regular steamer services. In this, British lines were the pioneers and remained the leaders. British tramp steamers began

to call at Central and South American ports in the 1820s. In 1840 the first regular steamer services connecting these ports with the rest of the world were established; the British-financed and -managed Royal Mail Steam Company plied to Cuba, Mexico, Central America and Venezuela, while the Pacific Steam Navigation Company, organised by William Wheelwright of Massachusetts, but financed by British capital, connected the principal ports of South America's Pacific coast with Panama. By 1860, British ships were connecting Latin American ports not only with Europe but with the United States and across the Pacific to Australia, New Zealand, China and Japan.

Five English companies and three corporations, organised in the United States, took part in establishing and operating the early overseas cable connections of the Latin American countries. All these companies were dependent for their supplies and their technicians on Britain. Until 1900, British organisations were practically the only manufacturers of submarine cables and British cable technicians were, for many years, more skilled than those of any other nation.

Trade

Britain's trade with Latin America also increased rapidly over this period and reflected some of the changes in British investment. In 1913 Britain's imports from Latin American countries amounted to £76 million, their value having more than quadrupled since 1880 and their volume almost certainly increased still more. Britain's exports and re-exports to Latin American countries amounted to £58.6 million in 1913. This was about three times as much in value as in 1880 and probably about five times as much in volume. However, British trade was already beginning to form a diminishing part of the total trade of Latin American countries. The United States and some European countries, particularly Germany, were already becoming very important in Latin American trade and it was towards the close of this period that the United States began to supplant Britain as the chief market and source of supply of most Latin American countries.

A very large part of the increase in British trade was with Argentina, whose rapidly expanding cattle ranches made beef its primary export, though it maintained and indeed increased its traditional exports of maize and wheat. Other important foods and raw materials imported by Britain from Latin America in this period included rubber, raw cotton, coffee and cocoa from Brazil; gold, silver, copper, zinc, tin and petroleum from Mexico; nitrates, copper, wool and tin from Chile; and raw cotton, rubber and raw sugar from Peru.

ECONOMIC RELATIONS: 1914-49

THE FIRST world war caused a large reduction in British exports to Latin America. Britain lost markets to the United States and its trade with Latin America and economic participation in the region were permanently reduced.

Investment was resumed, although at a slightly slower pace, after the war. Most of this investment was still in government securities and railways but investment in public utilities, banking and oil had further increased. British residents held government bonds of almost every Latin American country, though Brazil, Argentina, Chile, Uruguay and Mexico accounted for the major part of their holding. Capital in government securities exceeded capital in railways in Brazil, Chile, Uruguay and El Salvador and made up almost the entire investments in Honduras and Nicaragua. But in the region as a whole the railway capital was considerably larger than the capital invested in government bonds.

There was also considerable direct investment, particularly in the Mexican and Venezuelan oilfields. The first well in Mexico's once famous Golden Lane was drilled in 1908 by a British company. The Golden Lane was quickly developed by British and American interests to meet demand in the first world war and Mexico was for a time the world's second largest producer. After the war it was overtaken by Venezuela, where just before the first world war President Gomez had encouraged the Royal Dutch/Shell Group, an Anglo-Dutch combine with a 40 per cent British interest, to undertake extensive exploration. Immediately after the war a group of United States firms began to compete. The presence of vast oil deposits in the Lake Maracaibo basin transformed Venezuela from an insignificant oil producer at the end of the first world war into the world's second producer and leading exporter by 1928.

After 1929 British and indeed European investment in Latin America practically stopped. The prolonged economic recession which followed the stock-market crash on Wall Street was in part responsible—at least for the initial effect. It disrupted the banking system in advanced countries and disturbed their balance of payments, thus making it difficult both to mobilise savings and to transfer capital abroad. At the same time it reduced the prices of food and raw materials; and this had both direct and indirect effects on the balance of payments of nearly all Latin American countries. It reduced the value of their exports and it forced them to take restrictive measures, such as controls on imports and on remittance abroad and suspension of the servicing of external debts, measures which further reduced their credit-worthiness in the eyes of European and American investors.

British disinvestment in Latin America as a whole was relatively slow before the second world war. Investment was still dominated by railways and government bonds. There was, however, a big drop in the returns on British investment as about two-thirds of the British securities in Latin America were paying no interest.

Between 1939 and 1949 the nominal value of British portfolio investment in Latin America was halved, but the return on this greatly reduced nominal capital was little less than in 1939.

The reasons for this were complex. First Britain, like other belligerents, wished to realise securities to pay for supplies and armaments. Secondly the Latin American countries found themselves in a position in which they could better afford to meet their obligations, increase their purchases and pay off their debts. Both the volume and price of their exports rose from 1941 onwards while their imports from Europe and North America were necessarily reduced because of these countries' preoccupation with war production. Between 1939 and 1950 Latin American countries accordingly tripled their reserves of gold and foreign currencies and liquidated much of their foreign debts by means of either regular amortisation at par, the issue of new bonds at lower rates of interest in order to discharge the old (sometimes at below nominal value), and nationalisation or expropriation.

By 1949 practically all the British interest in Latin American railways had been sold or surrendered, as had a good part of the British interests in municipal public utilities as well as the British interests in Mexican oil. Some of the surrenders were without compensation and many of the sales and surrenders were at prices well below nominal values partly because the securities concerned had recently been unprofitable. It should be noted, however, that, in a few cases, although the payment of interest on government securities was not remitted in full to foreign creditors, for a time money was spent redeeming bonds, the market price of which was dropping precisely because the whole of the interest due was not being paid. However, by now most of these defaults have long been regularised by Agreements with Bondholders' Associations.



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