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Mr Strachan

MRS THATCHER - CALLS

1.. Mrs Thatcher (accompanied by Mr Adam Butler at all times) did not take me to see the President and Prime Minister. As reported by telegram I do not think anything of significance occurred at these sessions. Nor did anything of importance seem to me to emerge from her calls in Islamabad on 6 September when I did accompany her. The following are some of the main points.

(i) Mr Shahid Hussein (Special Adviser to the Prime Minister)

He spoke fluently and intelligently and obviously had a brief of points to put across to Mrs Thatcher. The main headings were agriculture, education and nationalisation. On agriculture, he said that this was Pakistan's most important field of development, that self sufficiency was in sight, that great expenditure went into the practical requirements e.g. fertilisers, and to raising standards e.g. rural education. On education itself he said that the policy was to combat and eventually eradicate illiteracy in the country. The priority of this task was demonstrated by the decision to limit further expansion of higher education. On nationalisation, he claimed that the failure of private enterprise (the 22 families) to expand Pakistan's industrial base had made policies of nationalisation and (part) state control of industry inevitable, but the overall policy was for a mixed economy. He gave the current inflation rate as about 7%.

/Mrs Thatcher

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Mrs Thatcher invited him to elaborate on the Prime Minister's recent article about a Third World Summit to develop a new economic order.. He was not to be drawn.

(ii) Minister of Finance

This was a very amiable but unplanned conversation. Much time was spent on the subject of wheat and wheat prices. The Minister emphasised the importance of a stable wheat price for the economy of the country and explained the system of subsidy. He claimed that Tarbela (dam) when working as intended ought to provide the water to raise the wheat crop by 1½ million tons and eliminate imports. He expressed optimism that this could occur next year. On labour, he said that the system under which employees could virtually never be sacked was an embarrassment but claimed that it was necessary. It was an unfortunate fact that people did not work as hard as they should when they knew they could not be dismissed: but these were only a minority. The Minister referred to trade unions as though they were a formidable force in the country, rather surprising Mrs Thatcher (and I think he exaggerated). He put the inflation rate at 5%.

(iii) Minister for Production (Mr Rafi Raza)

Mr Rafi Raza repeated many of the points that he made to me the other day on my first call. He said joint ventures, government to government, or government with foreign private enterprise, were acceptable, and that a 51% GOP shareholding was not a sacred

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figure. For example the GOP had just done a 40-60 agreement with May & Baker (though this was exceptional). State control of Pakistan industry (leaving aside light industry) was now about 20-22% and by the end of the decade should be 50%. Questioned about agrovilles (part of his Ministry) he said that the whole project was a disaster and had made little or no progress.

(iv) Minister of Education (Mr Pirzada)

Mrs Thatcher recognised him as an old acquaintance from her days as Conservative Minister of Education. The conversation was warm and flowing.

Mr Pirzada spoke frankly of his problems and suggested that about half the children in the country received little or no education. He was working on a figure of 9 million extra children to cater for in 10 years time, given the objective of eliminating illiteracy. He claimed that in the educational field Pakistan was more generous than any other country in the world, providing everything free, including where required, residence, food etc. The problem of school books was not too great, but the problem of providing schools and teachers was horrific. The cutting down of schools for the elite had been a heavy blow but was accepted by those who might have benefited from them. He explained a scheme under which children from Baluchistan were being integrated into the country's general system by being removed from their home areas to state-run boarding schools.

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2. Mrs Thatcher confined herself mainly to asking questions, making appropriate comment and occasionally drawing comparisons with the United Kingdom. At no stage was any argument involved. She gave her hosts the general line of being enormously impressed by developments in the country and its potential for future development.

J C W Bushell

7 September 1976