

23/2

MT

Confidential Filing

Visit of Brazilian Foreign Minister, Sr.
Saraiwa Guerreiro : Nov/Dec 1981.

BRAZIL

SEPTEMBER 1981

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
16.9.81							
26.11.81							
1.12.81							
PREM 19/393							

CONFIDENTIAL



Handwritten initials and a scribble in the top right corner.

10 DOWNING STREET

From the Private Secretary

1 December 1981

Dear Rodric,

The Foreign Minister of Brazil, Senhor Guerreiro, called on the Prime Minister this morning. He was accompanied by the Brazilian Ambassador and by his Chef de Cabinet. Mr. Harding was also present.

Most of the conversation was taken up with a general discussion of the problems of running the Brazilian economy. The Prime Minister was interested in hearing how the Brazilians tackled the difficulties inherent in an inflation rate of 100 per cent or more. Senhor Campos, the Brazilian Ambassador, who claimed to have invented the system, defended indexation on the grounds that in any situation where very high inflation rates were typical, it was the only way of protecting the value of savings and hence of making investment possible. However he said that Brazil at present was "over-indexing". He also said that there had been "an over-investment binge" recently which had exacerbated the underlying difficulties. Senhor Guerreiro did not dispute either proposition.

The Prime Minister invited President Figueiredo to pay an official visit to this country next year as her guest. Senhor Guerreiro whose reaction could hardly be characterised as enthusiastic, said that President Figueiredo was going to have to cut his travel plans to the minimum next year because of the congressional elections in Brazil, and that he would have to reinstate visits to Canada and the United States which had been postponed because of his illness. He was also committed to visiting a number of countries in Africa. He asked whether the Prime Minister could not herself visit Brazil. The Prime Minister, who made it clear that her invitation to President Figueiredo was also valid for 1983, said that she would of course like to visit Brazil but that it was not easy to see when this would be possible.

Handwritten mark resembling the number '5'.

/The outcome

CONFIDENTIAL

CONFIDENTIAL

-2-

The outcome of the exchange about visits was less than totally clear but it would seem fair to conclude that the invitation to President Figueiredo was accepted on the basis that it would take place in 1983 rather than 1982.

The only exchange on bilateral relations concerned the Memorandum of Understanding on commercial prospects which was signed during Senhor Delfin Netto's visit. The Prime Minister welcomed the Memorandum. Senhor Guerreiro said that it had had a great impact in Brazil. It had been of particular importance as a sign of Britain's confidence in Brazil's future.

I am sending a copy of this letter to John Rhodes (Department of Trade).

M. O'D. B. ALEXANDER

R.M.J. Lyne, Esq.,
Foreign and Commonwealth Office

CONFIDENTIAL

COVERING CONFIDENTIAL

Brayd



Foreign and Commonwealth Office

London SW1A 2AH

Primi Minister

*I have asked the
Harding to come over.*

26 November 1981

Print 307x,

ms

Dear Michael,

Brazilian Foreign Minister

The Brazilian Foreign Minister, Sr Guerreiro, who is spending five days in London (27 November - 2 December) as the guest of Lord Carrington, is due to call on the Prime Minister at 0930 on 1 December.

/ I enclose a brief covering those topics which could
most usefully be covered in the time available: our
/ bilateral relations (political and commercial), economic
/ relations with developing countries and the East/West
/ situation. In addition, I attach a fact sheet on Brazil
and a personality note.

It has been previously agreed that the Prime Minister should use Sr Guerreiro's call to convey through him an invitation to the President of Brazil to visit the UK in late 1982/early 1983 as the Prime Minister's guest.

Sr Guerreiro will be accompanied by the Brazilian Ambassador and by one member of his delegation, probably his "chef de cabinet", Ambassador Carbonar. No interpreter will be required since Sr Guerreiro speaks excellent English.

Could you let me know if you would like the FCO to be represented? Mr Luce or Mr Harding (Ambassador to Brazil) would be available.

*Yours ever
Roderic Lyne*

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

COVERING CONFIDENTIAL



CALL BY THE FOREIGN MINISTER OF BRAZIL: 1 DECEMBER

POINTS TO MAKE

Bilateral Relations

1. Our bilateral relationship developing well. Sr Guerreiro's visit and frequency of Ministerial visits in both directions since Lord Carrington's visit to Brasilia in summer of 1980 sign of vigour of our relations. Important to have regular exchanges of view on political issues.

Invitation to President Figueiredo

2. Glad to hear President Figueiredo fully recovered from heart attack. Would Sr Guerreiro convey to President best wishes for continuing health and invitation for him to visit UK as Prime Minister's guest? Timing of visit best handled through Embassies. From our point of view, late 1982 or early 1983 would be best.

Commercial Relations

3. Delighted by signature of Memorandum of Understanding on commercial prospects during Minister Delfim Netto's visit. Major and positive impetus to our commercial relations. As two great trading nations right for us to collaborate closely in future.

Brazilian Economy

4. Admire Brazilian Government's determination to bring down inflation. Sympathise with difficulties. Measures taken over last year clearly beginning to have effect. Appreciate debt servicing problems aggravated by high world interest rates.

Economic Relations with Developing Countries

5. Found exchanges at Cancun useful and realistic. Must all work now to maintain impetus given by Cancun to the search for



mutually satisfactory relations. Initiative on Global Negotiations now with President of UN General Assembly and Americans. Intransigent positions must be avoided.

East-West Relations

6. Welcome US determination to defend Western interest worldwide. But also welcome President Reagan's commitment to superpower dialogue. Sincerity of this commitment clear in President Reagan's 18 November speech. Disarmament negotiations could have positive effect on East/West relations if Russians accept that agreement must be on basis of strict reciprocity of advantage, and if Russians prepared to exercise restraint in international arena. Continuing Cuban interference in Central America and Caribbean worrying in this context.



CALL BY THE FOREIGN MINISTER OF BRAZIL: 1 DECEMBER

ESSENTIAL FACTS

1. This is Sr Guerreiro's first visit to London as Foreign Minister and is in return for Lord Carrington's visit to Brazil in July 1980. Apart from a call on the Prime Minister, his programme includes talks with the Foreign Secretary and Secretary of State for Trade, a lecture at the Royal Institute of International Affairs on Brazil's foreign policy, a lunch at Canning House and a day in Oxford where he will have lunched at All Soul's.

2. Our objectives are to underline the importance we attach to our relations with Brazil, which is one of the most influential of developing countries and the tenth largest economy in the world, and to develop further a political dialogue on major international issues. The Brazilians' objectives will be similar mutatis mutandis. There are no major bilateral difficulties between us, and the issues that tend to divide us (international economic relations, and trade barriers) are not expected to figure prominently.

3. There have been four Ministerial exchanges since Lord Carrington visited Brazil in July 1980; the Brazilian Ministers for Mines and Energy (March 1981), Planning (October 1981) and Industry/Commerce (November 1981) have come to London, and Mr Peter Walker visited Brazil in September 1981. The Brazilians see these exchanges as visible evidence of our determination to build up our relations with Brazil, and the new momentum is as welcome to them as it is to us.

Invitation to President Figueiredo

4. It has been agreed that the next step should be for Brazil's President, General Figueiredo, to be invited to visit London as a Head of Government, and that the Prime Minister should issue this invitation during Sr Guerreiro's call



on her. There is no doubt that it will be very welcome to the Brazilians. The only possible difficulty is over timing. But the Brazilians will appreciate that the Prime Minister has many commitments, and there is no particular reason why they should be eager for a visit to occur before late 1982 or early 1983. President Figueiredo recently suffered a heart attack but is making a good recovery and is expected to see out his term of office to the end of 1984.

Commercial Relations

5. Brazil is our largest market in Latin America. Exports in 1980 were £218 million (down from £286 million in 1979), imports £295 million. During the visit to London in October of the Minister of Planning, Sr Delfim Netto, a Memorandum of Understanding was signed providing for allocation (subject to contract) of £380 million worth of business to British companies in return for attractive financial credits. This was the most important development in Anglo-Brazilian commercial relations for many years. The main items included four roll-on roll-off and two container ships; a power station; a combat system for four corvettes and equipment for a training ship; and an urban transport system for Recife.

Brazilian Economy

6. A deterioration in Brazil's economic situation during the 70's culminated in a 1980 inflation rate of 110%, a deficit on external account of \$13 billion and total external indebtedness of \$54 billion. A growth rate of 8%, seen as politically essential to meet the demands of Brazil's fast expanding population, exacerbated these problems. In late 1980 the government decided to abandon the pursuit of high growth and to give first priority to tackling inflation and restoring order to the external account. Fiscal and monetary policies were tightened. The results to date have been reasonably good: inflation has been brought under better control and is likely to fall below 100% by the end



of 1981. The external trade account is likely to be in balance. But high world interest rates have increased the burden of debt servicing, and the overall external deficit is likely to be \$11 billion - financed by further external borrowing. Growth in 1981 will be down to 3-4% (from 8%) and unemployment is rising. The Brazilians are having to perform a difficult balancing act between control of the economy and the social/political consequences of deflationary policies.

Economic Relations with Developing Countries

7. Sr Guerreiro represented Brazil at Cancun in President Figueiredo's absence. He said afterwards that he was moderately satisfied with the outcome. The developing countries had had an opportunity to state their case and political impetus had been given to the Global Negotiations. Cancun had at least brought North/South relations forward as a priority issue.

8. Informal consultations on Global Negotiations are continuing in New York. The US position remains reserved, as attempts are made to incorporate President Reagan's "four understandings" into an agreement. The President of the General Assembly is promoting the idea of an early launch to the Global Negotiations leaving later phases undefined. We believe this is a risky course.



BRAZIL: FACT SHEET

Land

8,512,000 square kilometres.

Population

122.9 million (mid-1979). Average rate of growth (1970-79): 2.8%.

Constitution

Federative Republic comprising Federal District, 21 States and 3 Territories (the most under-developed frontier regions). Legislative power vested in Congress: executive in President. President elected for 6 year terms by closed electoral college. Members of Senate and Chamber of Deputies elected by universal suffrage.

Head of State

President Joao Figueiredo (since March 1979)

Economic activity

GNP (1979): \$198 billion (\$1,687 per capita): of which agriculture 12.7%, industry 37.3%, services 50.3%.

Exports

\$15 bn (1979) of which coffee \$1.9 billion, soy beans \$1.3 bn, iron ore \$1.3 bn, transport equipment \$1.1 bn.

Imports

\$18.1 bn (1979) of which fuels and lubricants \$7 bn, machinery and equipment \$3.7 bn, chemicals, plastics and rubber \$2.7 bn.

Major markets

In 1979: EC 29.1%, USA 18.5%, Eastern Europe 6.6%, Japan 6.0%.

Major importers

In 1979: OPEC 27.6%, EC 18.6%, USA 16.2%, Japan 5.8%.

Trade Balance

In 1979: -\$2.8 bn.

Official Foreign Currency Reserves

At end-1980: \$6.9 bn



Total external debt

At end-1980: \$54.4 bn.

UK exports

In 1980 £218 million of which machinery £58 million, transport equipment £28 million.

UK imports

In 1980 £296 of which coffee, tea, cocoa and spices £63 million, tobacco £24 million.

GUERREIRO, RAMIRO ELYSIO SARAIVA

Minister of External Relations since March 1979.

Born in Salvador, Bahia on 2 December 1918.

Graduated in Law and Social Sciences (Rio de Janeiro)

Joined the Foreign Service in 1945. Served at the United Nations, La Paz, Madrid, Washington and Montevideo.

From 1969 to 1973 he was Head of the Brazilian Mission at Geneva.

He is the foremost Brazilian specialist on the Law of the Sea.

Secretary-General of the Ministry of External Relations 1974-77.

Brazilian Ambassador in Paris 1977 - March 1979.

Rather an introvert. Talks very quietly and not much, but is shrewd and rapid in his understanding of a point. A career diplomat, Sr Guerreiro is highly respected and well liked within the Foreign Ministry. He has been one of the most successful Ministers in President Figueiredo's cabinet but partly because of his low profile and introvert nature this has not been widely recognised outside Government circles. Under him the breach in US/Brazil relations, which opened under his predecessor, has narrowed although it has not completely closed, and he has been the architect of a more independent and self-assertive Brazilian foreign policy which has as its main feature rapprochement with Latin American countries and with other developing countries, notably in Black Africa and Asia. Sometimes gives the deceptive impression of drowsing off while listening attentively to a conversation; a habit which has earned him the nickname "Dozy" within the Foreign Ministry.

He and his charming wife, Gloria, whose sister is the wife of General Medeiros, Head of the SNI (National Intelligence Service) both speak excellent English.



Brazil

10 DOWNING STREET

From the Private Secretary

16 September 1981

~~BF 27. 11. 81~~

Brazilian Foreign Minister

Thank you for your letter of 9 September. I confirm the Prime Minister will be happy to see the Foreign Minister of Brazil, Sr. Saraiva Guerreiro, on Tuesday 1 December at 0930 for half an hour. Could you office supply us with a brief to reach us by close of play on Friday 27 November.

CAROLINE STEPHENS

R.M.J. Lyne, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

Rennie Minister

①



*Appt to give him
30 minutes?*

Foreign and Commonwealth Office

London SW1A 2AH

Ans

*Yes
no*

9 September 1981

Dear Michael,

Brazilian Foreign Minister

Lord Carrington has invited the Foreign Minister of Brazil, Sr Saraiva Guerreiro, to visit London from 30 November to 2 December, and the invitation has been accepted.

The visit is in return for Lord Carrington's visit to Brazil last July. It will provide an opportunity to exchange views on international issues and to develop our political relationship with Brazil which, as the largest country in Latin America, is of growing international influence and an important market for British exporters.

When Lord Carrington visited Brazil last year, he called on the President of Brazil. Sr Guerreiro would undoubtedly appreciate a call on the Prime Minister. Could the Prime Minister agree to receive Sr Guerreiro?

*yours ever
Roderic Lyne*

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
LONDON
SW1

