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18 November 1983

→ file

Andrew Turnbull Esq  
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LONDON SW1

*mt*

*Dear Andrew,*

BRAZIL

The Chancellor thought that the Prime Minister might  
... be interested to see the attached note by Geoffrey Littler  
on the discussions on Brazil at the meetings which he  
attended in Paris this week. The Chancellor found his  
account encouraging.

*1 found the last para perhaps out*

Copies of this letter and enclosure go to Brian Fall (FCO)  
Callum MacCarthy (DTI) and John Bartlett (Bank of England).

*Yours ever,*

*J O Kerr*

J O KERR

FROM : J G LITTLER

DATE : 18 November 1983

NOTE FOR THE RECORDBRAZIL

In discussion among officials in Paris during the last few days, I did not find myself in difficulties over Brazil. In the light of Mr Unwin's report to me of the Chancellor's meeting with the Prime Minister, I was at pains to keep our position very closely in line with that of others (particularly France and Germany), and I think I succeeded.

2. At no time was there particular pressure on me, or any particular pointing at the United Kingdom as the awkward member. There were two main discussions.

3. First, on Tuesday night (before the Chancellor's meeting) we had the meeting of G5 deputies. Sprinkel reported at some length on discussions he had just had with the IMF Managing Director (no need to rehearse because Mr Wicks gave identical accounts in his telegrams). The conclusion we all reached was that we had to share the IMF judgement that the action proposed by the Brazilian authorities was sufficient to justify IMF lending. My French and German colleagues took the lead in saying that they were not prepared to commit specific sums of new export credit; I simply said that our position was unchanged. There was no argument. The only additional comment - made initially by Camdessus, and immediately endorsed by Tietmeyer and myself, was that we remained very worried over the risk that the Brazilian authorities would not live up to their promises.

4. The second meeting (or series of meetings) was with the IMF Deputy Managing Director, Dale, yesterday. The purpose of his visit to Paris was to round up sufficient support of new export credit. We had a general discussion over lunch, in which he gave assurances of IMF staff satisfaction with the programme

agreed with Brazil. He was challenged (by Camdessus) on the amount of increase of reserves assumed by the IMF, which he stated to be £1 billion this year and £2.6 billion next year (at which there was a good deal of shaking of heads - why should governments be asked for £2½ billion if reserves as a result were projected to rise by about that amount?) It was then agreed, at the suggestion of Dale himself, that the best way to proceed would be for him to talk privately with each of us, not revealing to any of us what the others had said.

5. When my turn came, I began by saying that we would give full support to the IMF and, on the account he had given of the prospective agreement with Brazil, I would expect our Executive Director to be able to give a positive vote. I also said (as agreed with Mr Loehnis) that I understood that all UK banks (with one possible exception on which the others were bringing pressure to bear) had committed themselves. I then said that I wanted to make three points:

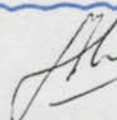
- I must repeat that the UK had been from the outset, and remained, unhappy about the way in which the IMF had established a financing gap which could only be met by governments, and I earnestly hoped that the difficulties which had resulted would persuade them to try to avoid this in future; I said that I was confident of support of several G10 colleagues in this, and I mentioned the particular strength with which Delors had spoken on the subject. Dale accepted what I said, and confirmed that he was aware that this was not simply a view of the UK, but one shared by others;
- I said that we were also in the same position as several other countries,

particularly France and Germany, in believing that the right procedure at this stage was for us to suspend new export credit; but that this did not rule out the re-opening of cautious lines of credit at some stage thereafter. But the uncertainties made it particularly difficult for any of us to commit ourselves to particular numbers in advance.

- Finally, however, I said that we had also been influenced because there was genuine difficulty for us in foreseeing export credit finance. Unlike Germany in particular, we did not have a very large pipeline of continuing export credit; moreover, as Dale was well aware, the scale of UK exports to Brazil had become very small. I put it to him that it would not serve the purposes he was seeking to meet if we were to commit ourselves to export credit finance which could then only be applied if Brazil undertook additional imports. I repeated the point that no figure could be given, but said that I thought he really must assume for his purposes that our contribution would be negligible. I said "You would be lucky to get into double figures in millions of dollars".

6. At the end of this discussion, in which Dale was throughout sympathetic and understanding, he said that he understood the position, and was inclined to agree with all that I had said about the practical possibilities, so that he would not press me.

7. Later in the day, I asked him how he had got on in general. He said that the outlook was rather better than he had feared it might be, and he thought we would get through.

 J G LITTLER