

29/13

Confidential Entry

Visit of President of Brazil,
General Joao Figueiredo

BRAZIL

Visit of the President - Genl. S. Couar de Mello

November 1981

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
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PAULO TARSO FLECHA DE LIMA
Brazilian Ambassador

R2015

London, 24th May, 1990.

file

Mr Stephen Wall
Private Secretary
to the Prime Minister
10 Downing Street
London SW1A 2AA

My Dear Mr Wall,

I have been advised by Mr Tristan Garel-Jones, Minister of State for Foreign and Commonwealth Affairs, to contact you following instructions received from my Government about a rather important and urgent matter.

The reason is that President Fernando Collor would like very much to meet the Prime Minister in London in the afternoon of 7th June, 1991. On that date, the Brazilian President will be returning from an official visit to Sweden and Norway and will make a stop in London on his way back to Brazil, boarding at Heathrow the Varig flight to Rio.

His Excellency thinks this would be a great opportunity for talks with the Prime Minister, as a way of strengthening, at the highest level, the political dialogue and the climate of co-operation between the British and the Brazilian Governments. As you know, they first met in London in February 1990, when President Collor had just been elected and Mr John Major was Chancellor of the Exchequer. Regarding that meeting, I had the chance to hear from the President himself the strong feelings of sympathy

PAULO TARSO FLECHA DE LIMA

Brazilian Ambassador

and admiration which arose from his talks with the then Chancellor John Major.

Now, since he will step on British soil and being Mr Major the new Prime Minister, President Collor would not consider missing the opportunity to see him. His Excellency understands that, besides the personal motivation, there are some important political factors which encourage him to call on the Prime Minister.

First of all, taking into account that the Prime Minister will be chairing the next Summit of the Group of the Seven, due to take place in London from 15th to 17th July, President Collor estimates that this would be an important occasion to address him in that capacity in order to discuss some relevant issues included in the Summit agenda, which are at the same time directly related to Brazil. I refer, in particular, to external debt, environment and trade.

Those are very important issues for the policies President Collor's Government has been pursuing in its efforts to promote a new and more effective Brazilian participation in the international economy and world affairs. We in Brazil appreciate very much the efforts the British Government has been putting on the perfecting of British relations with Latin America, in general, and Brazil, in particular. I think that nothing would be more significant for this purpose than a meeting between the leaders of our both countries in a moment when the international changes and the prospects of our bilateral co-operation encourage us to deepen our dialogue and understanding.

M

PAULO TARSO FLECHA DE LIMA

Brazilian Ambassador

A personal contact between President Collor and the Prime Minister, however brief, would be useful for the updating of the Brazilian economic outlook, not only regarding negotiations with the international financial community but also the recent changes in the economic team of our Government.

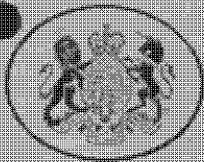
President Fernando Collor is personally engaged in the common effort of strengthening our bilateral links. He became yet more encourage to that after having had the honour to welcome His Royal Highness the Prince of Wales in his recent visit to Brazil. Needless to say how positively deep the royal visit echoed in the friendly and co-operative relations between Brazil and the United Kingdom.

Under these circumstances, I would very much appreciate if you could kindly forward to the Prime Minister the Brazilian President's wish to call on him during his stop in London. I am authorized to tell you that, as it happens to be on a Friday, the President would be prepared to go to Chequers, if necessary.

As soon as you have any news on the matter, please do not hesitate in contacting me either by telephone (071-499 0877, 629 0507 or 629 3433) or by fax (071-493 3105 or 499 3444).

Yours sincerely

Paulo T. F. Lima



Foreign and Commonwealth Office

London SW1A 2AH

1 March 1990

Acc. Clerk,

CP
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Message from Collor de Mello

The Brazilian President-elect, Mr Collor de Mello, called on the Prime Minister on 8 February. The Brazilian Embassy have just sent us the following message from Collor to the Prime Minister:

"Before returning to Brazil, I wish to express my gratitude at the kind welcome you gave to my party and myself. I consider that the talks we had were extremely helpful and I am sure that they will constitute the basis for a further deepening of the relations between our countries. Please accept my best regards."

JWS

London

(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

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AND TO ROUTINE RIO DE JANEIRO
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Temporarily retained. W. Wayland. 3/11/90

net

MY TELNO 33: BRAZILIAN PRESIDENT-ELECT'S VISIT TO LONDON,
7-8 FEBRUARY

SUMMARY

1. HIGHLY SUCCESSFUL VISIT. BEST LOCAL MEDIA COVERAGE OF
ENTIRE TOUR. BRITISH BANKERS' WILLINGNESS TO RENEGOTIATE DEBT
WITHOUT PRECONDITIONS A TRIUMPH FOR COLLOR.

DETAIL

2. THE FINAL DAY OF COLLOR'S VISIT TO LONDON RECEIVED WIDE
PRESS COVERAGE, WITH LARGE PHOTOS, IN ALL THE MAJOR DAILIES
HERE. WE ESTIMATE THAT COVERAGE IS ABOUT 50 PER CENT MORE THAN
THAT ACCORDED TO OTHER COUNTRIES VISITED SO FAR. THE POSITIVE
ATTITUDE TO BRAZIL'S ECONOMIC AND FINANCIAL PROBLEMS SHOWN BY
BRITISH BANKERS AND THE WARM RESPONSE BY THE BUSINESS COMMUNITY
AT THE CHAMBER OF COMMERCE LUNCHEON REPORTEDLY LED COLLOR TO
DESCRIBE IT AS ONE OF THE HAPPIEST DAYS OF THE WHOLE TOUR.
INDEED, THE PRESIDENT-ELECT WILL HAVE EVERY REASON TO BE PLEASED
WITH THE BANKS' STATED WILLINGNESS TO 'FORGET PAST MISUNDERSTANDINGS'
AND TO RENEGOTIATE BRAZIL'S DEBTS WITH THE NEW GOVERNMENT
'STARTING FROM ZERO AND WITHOUT PRECONDITIONS AND ON TERMS
DECIDED BY THE BRAZILIAN GOVERNMENT'. PREDICTABLY, THIS MADE
THE HEADLINES HERE.

3. THE NEED TO TACKLE INFLATION WAS REPORTEDLY THE MAIN TOPIC
AT THE ABOVE MEETINGS. COLLOR APPARENTLY IMPRESSED HIS
INTERLOCUTORS WITH HIS PROPOSALS TO ATTACK INFLATION HEAD ON
AND TO MODERNISE THE ECONOMY NOT 'WITH WORDS BUT WITH A SERIES
OF PRACTICAL REFORMS'. HIS ASSERTION THAT THIS WOULD BE A
MATTER OF LIFE OR DEATH TO BE ADDRESSED DURING THE NEW
GOVERNMENT'S FIRST 100 DAYS SEEMS TO HAVE GONE DOWN PARTICULARLY
WELL WITH HIS AUDIENCES.

4. THE CALL ON THE PRIME MINISTER, WHERE REPORTEDLY ECONOMIC PROBLEMS AND THE ENVIRONMENT DOMINATED THE AGENDA, WAS DESCRIBED AS VERY FRIENDLY, WITH MRS THATCHER PAYING CLOSE ATTENTION TO COLLOR'S PROPOSALS FOR SOLVING THE COUNTRY'S DEBT PROBLEMS. INVITED TO VISIT BRAZIL, THE PRIME MINISTER REPORTEDLY SAID THAT UNFORTUNATELY THIS WOULD NOT BE POSSIBLE UNTIL AFTER 1991. THE PRESS HAVE MADE MUCH OF THE FACT THAT THE TWO HAD ALREADY MET IN JULY 1989 IN COLLOR'S CAPACITY AS A CANDIDATE.

5.

AT THE MEETING WITH MR PATTEN COLLOR REPORTEDLY INSISTED THAT BRAZIL SHOULD NOT BE MADE THE SCAPEGOAT FOR THE WORLD'S ECOLOGICAL PROBLEMS AND THAT THE SOLUTION LAY IN SCIENTIFIC AND TECHNOLOGICAL COOPERATION.

COMMENT

6. THIS SHORT VISIT OBVIOUSLY IMPRESSED THE PRESIDENT-ELECT AND WAS A USEFUL OPPORTUNITY FOR MINISTERS, THE CITY AND OTHERS TO GET TO KNOW THE MAN. OUR THANKS TO ALL THOSE INVOLVED FOR ORGANISING A FIRST-RATE PROGRAMME.

MORRICE

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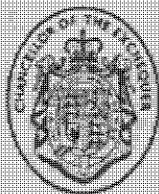
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Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

9 February 1990

Richard Gozney Esq
Foreign and Commonwealth Office
Whitehall
LONDON
SW1

GD 172

Dear Richard,

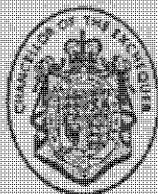
CHANCELLOR'S MEETING WITH THE PRESIDENT-ELECT OF BRAZIL

Sr Fernando Collor De Mello, President-Elect of Brazil made a courtesy call on the Chancellor this morning. He was accompanied by Professor Cardoso de Mello, Ambassador Coimbra, Minister Fonseca Junior, Sr Sanpais and Sr Biato (Brazilian Embassy). Mr H P Evans (HM Treasury) and Mr M J Newington (HM Ambassador, Brazil) were also present.

After the opening pleasantries the President-Elect explained that his objective in making this tour of Europe was to explain the new Brazil which he planned to build. He hoped for support and co-operation from the UK. The Brazil he envisaged would be modern, competitive, open to international flows and fully intergrated into the world economy. He also hoped to restore Brazil's international credibility which had become tarnished.

The Chancellor offered his best wishes for this programme. He referred to the economic problems which Brazil currently faced, notably high inflation and a heavy debt burden. He agreed that the restoration of credibility was vital. How did the President envisage tackling inflation? And had he yet decided who his Finance Minister should be?

The President-Elect said he had not yet decided on his Finance Minister. He likened inflation to a jungle tiger; himself the hunter with only one shot in his rifle. He believed that a co-ordinated crash programme of reform would be necessary. He referred to fiscal and administrative reforms including a major



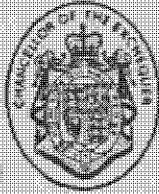
privatisation programme coupled with debt conversion. He would look for the first results within 100 days.

The Chancellor noted that fiscal reform meant different things in different countries. What had he in mind? Professor Cardoso de Mello explained that in order to secure rapid results the new Government would concentrate on measures which could be taken by the Executive without the need for congressional approval. The programme would include, first, the suppression of all subsidies other than those guaranteed under the constitution. Second, speeding the collection of tax receipts, whose value was eroded by the combination of high inflation with long payments delays. Third, reform and reduction of import tariffs designed to increase Brazil's openness to imports while raising tax revenues. Fourth, reduction of public expenditure both through the privatisation programme and by freezing non-priority budgeted expenditures. Fifth, "patrimonial reform" which should boost privatisation proceeds and rents from Government properties. Sixth, an attack on tax evasion in both the private and corporate sectors, which currently amounted to 7 per cent of GDP. Together, these measures should transform the Government's deficit of 6½ per cent of GDP into a one per cent surplus.

The Chancellor commented that these were certainly the right policies to pursue. They were also courageous: life for the President-Elect would not be dull! The President-Elect said that economists had agreed for some time on what it was necessary to do: the new development was a degree of consensus among the politicians. He underlined the importance he attached to the fight against corruption: the astonishing figure of 7 per cent for tax evasion reflected corruption in the State machinery. Dealing with this was necessary to Brazil's credibility and the establishment of a stable economic policy.

In response to a question, the President-Elect confirmed that he saw the programme he had outlined as the basis for a programme with the IMF. He had already met Camdessus, Iglesias, Rhodes, Reed and Tanaka. His plans had been favourably received and it was generally agreed that the time had come for Brazil to mend fences with the international financial community. He said that Brazil would play by the rules: these were well established and he acknowledged this. He had no intention of taking unilateral action. But he emphasised the need for a flexible approach on both sides. He intended to send proposals to Washington within a week of taking office. But growth was not up for negotiation. He had to satisfy the minimum requirements of his people. Reed, Brazil's largest creditor, had appeared to understand this. So he was optimistic.

The Chancellor thanked the President-Elect. He was sure it was right to aim for rapid progress and he wished the President-Elect well in his endeavours.



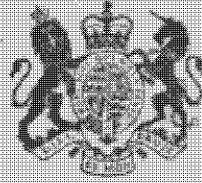
The President-Elect presented the Chancellor with a book.

I am copying this letter to Charles Powell (No 10), Ben Slocock (DTI) and Paul Tucker (Bank of England).

Tomasz Tarkowski

T TARKOWSKI
Private Secretary

Subject CC MASTER



C:\Foreign\Brazil

10 DOWNING STREET

bc PC

LONDON SW1A 2AA

From the Private Secretary

8 February 1990

PRIME MINISTER'S MEETING WITH THE PRESIDENT-ELECT OF BRAZIL

The Prime Minister had a meeting this evening with the President-elect of Brazil. Sr. Collor de Mello was accompanied by Ambassador Marco Coimbra (Head of the Civil Household Designate) and Professor Zelia Cardoso de Mello (Economic Adviser). H.M. Ambassador in Brasilia was also present.

Introduction

The Prime Minister recalled her meeting with Sr. Collor de Mello last July and congratulated him warmly on his election success. It had been most impressive. Sr. Collor de Mello thanked the Prime Minister for her consideration in inviting him at the time when he was just a candidate for election. Their meeting had been very useful to him in his election campaign. He hoped that they could maintain a regular dialogue once he took office. The Prime Minister commented that she was conscious that Britain had not devoted enough attention to Latin America and especially to Brazil. The conflict with Argentina over the Falklands had been an obstacle. But we had hopes of restoring diplomatic relations with Argentina very soon, and this should make it easier to take a more active role in Latin America generally.

Brazilian economy

The Prime Minister said that she appreciated that Sr. Collor de Mello faced massive problems with the Brazilian economy but she was sure of his determination to overcome them. She too had faced a very difficult period in her early years as Prime Minister: people always wanted a painless remedy. Her advice to Sr. Collor de Mello was to take difficult decisions right at the beginning, even if they involved inflicting some pain on the Brazilian people. This was better than dragging out the period of difficulty. Sr. Collor de Mello said that he would be trying to follow the Prime Minister's example, both her resolve and her policies. The Prime Minister commented that the first ten years would be the worst. She knew that Sr. Collor de Mello was an excellent communicator and that would help him enormously.

Sr. Collor de Mello said that he agreed with the Prime Minister on the importance of achieving early results. It would not be enough just to speak of plans and objectives. He would need to be able to demonstrate progress. The 1980s had been a lost decade for Brazil. He would be seeking a return to growth and restoration of confidence in Brazil's currency. The Prime Minister said that she assumed Sr. Collor de Mello would go to the IMF. They provided an excuse for tough measures: and agreement with the IMF would give confidence to lenders and investors alike. Sr. Collor de Mello said that he was determined to have close cooperation with the international financial community. He had already visited the IMF and the World Bank, and the proposals which he had put to them had been well received. He believed that support from them would be forthcoming. He had received similarly favourable indications in Bonn and Tokyo. His objective was to make a further round of visits within a hundred days of taking office and be able to present concrete results, above all a lower rate of inflation.

The Prime Minister asked whether Sr. Collor de Mello would be seeking debt reduction on the lines of the Brady Plan. Sr. Collor de Mello said that it was an open question whether the Brady Plan offered the best way forward for Brazil. He would send a delegation to Washington within one week of taking office to discuss all this with the international financial institutions and make proposals for the renegotiation of Brazil's foreign debt. He recognised the need to be flexible in such negotiations, and there was no question of Brazil putting forward proposals on a take it or leave it basis. The only absolute condition for him was that any solution must allow scope for reasonable economic growth. The Brady Plan had positive aspects. But Brazil's fundamental problem was the scale of its interest payments. Had Brazil adopted the Brady Plan in January 1989, it might have reduced the principal of its debt by 30 per cent. But this amount would have been incurred again by May because of the increase in interest rates. The Prime Minister said that this strengthened the case for privatising State-owned industries and selling assets. Mexico had done quite well out of the Brady Plan, enough to get confidence back. Sr. Collor de Mello said that his highest priority would be to get some sort of "flexible limit" on the interest of Brazil's debt, in order to leave some breathing space for economic growth. The Prime Minister thought it would be difficult to have a cap on interest rates. Liberalising Brazil's economy was the key to attracting investment. Sr. Collor de Mello said that his ambitious target was to privatise one enterprise a month. This should produce proceeds equal to two per cent of GDP in the first year.

Sr. Collor de Mello said that he would need to attack Brazil's problems on all fronts from the beginning. He would have to mend fences with the international financial community and to restore confidence in the currency. If he could get results in the first hundred days, then he believed he could succeed. The Prime Minister stressed the need for a tight grip on the money supply and asked about subsidies in the Brazilian economy. Sr. Collor de Mello said that he intended to start to get rid of them straightaway. The two great strengths in his position were first that there was no alternative to his

policies; and second that he had laid them out in the election campaign and had received strong support.

Drugs

The Prime Minister said that she understood that crime and drugs were two major problems in Brazil. Sr. Collor de Mello confirmed this. The position was made worse by Brazil's long and porous border with other countries. The Prime Minister said that we would be anxious to cooperate closely with Brazil against drugs. Sr. Collor de Mello said that he would welcome this.

Tropical rain forests

The Prime Minister said that she would inevitably be asked whether they had discussed tropical rain forests. We were very pleased with the agreement we had reached with Brazil on this and hoped the cooperation would continue. Sr. Collor de Mello indicated that he agreed with this. The Prime Minister said there was also considerable interest in Britain on the fate of the Amazonian Indians. She had noted that Sr. Collor de Mello had said in his election campaign that they would be fairly treated. Sr. Collor de Mello confirmed this. He intended to give high priority to environmental issues generally, introducing them into the school curriculum. He noted that Brazil would be hosting the United Nations on the Environment and Development in 1992. He would have concrete proposals to deal with the problem of the Indians.

Conclusion

The Prime Minister said that the prospects for Sr. Collor de Mello were very exciting. Brazil had enormous potential and a strong basis of enterprise. He would also have a great deal of support from outside Brazil. She would follow progress with great interest. Sr. Collor de Mello said that he very much hoped the Prime Minister would pay a visit to Brazil during his Presidency. The Prime Minister said that she would very much like to do this.

I am copying this letter to John Gieve (H.M. Treasury), Martin Stanley (Department of Trade and Industry) and Sonia Phippard (Cabinet Office).

(CHARLES POWELL)

Dictated by Mr. Powell and signed in his absence

R.N. Peirce, Esq.,
Foreign and Commonwealth Office.

Mike



Could you

write down the

names of the

2 advisors for me

please.

C.

Like

Antonio Jose

Marco Coimbra

(Head of Civil
Household Dengue)

Prof. Zeba Cardoso

de Mello

(Economic Advisor)

(~~Chief~~ Economic
Minister)

No relation to
Colin

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PRIME MINISTER

MEETING WITH BRAZILIAN PRESIDENT-ELECT

You are to see Sr. Collor de Mello, the President-elect of Brazil, tomorrow afternoon. You will recall meeting him last July when he was only one of a bevy of Presidential candidates, and giving him encouragement which he much appreciated. He eventually won by a margin of 5 per cent over his main left-wing opponent. He is now doing an international lap of honour, seeing Gorbachev, President Bush, President Mitterrand and many others. In the UK, he is seeing the Prince of Wales, several leading members of the Cabinet and the Chairman of the major banks.

Collor's election marks a return to democracy in Brazil and there will be a lot of goodwill. But the problems are fairly horrendous; 56 per cent inflation, with hyper-inflation lurking just round the corner: staggering debt: an inflated state-sector: a million new entrants to the job market every year: but also the world's third biggest trade surplus (after Japan and Germany), generated in part by high tariffs to protect domestic industry. Collor says all the right things about how he intends to tackle the problems: privatisation, greater competition, rooting out corruption and so on. But there is a feeling that he is a bit callow, and under-estimates the difficulties which he will face when he actually comes face to face with the problems after his inauguration in March. He is less sound on debt, where he talks of first of all achieving an adequate growth rate and only then deciding what he can afford for debt service.

Collor could also be useful to us as a way back into Latin America. He is a great admirer of your policies and is likely to renew his invitation to you to visit Brazil. That might be an opportunity worth taking up in 1991.

The points which you will want to cover with him are:

- congratulations on his election victory.
- economic prospects and how he intends to tackle the

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problems. You will want to steer him towards a strong adjustment programme, with IMF endorsement, to create the most favourable climate for negotiations with the banks. Will he follow Mexico's example of debt reduction?

- his plans for coping with environmental issues. He has some quite imaginative ideas: a national environmental secretariat: debt-for-nature swaps: creation of 'green soldiers' to work in areas of ecological interest. He has also promised to prevent invasion of the lands of the Amazon Indians by gold prospectors (an issue on which there is a lot of public interest here).
- how does he intend to tackle the drugs problem? We are ready to help and reach bilateral agreements. It was a pity that Brazil - under the present government - blocked our efforts to raise drug issues in the UN Security Council.
- you might tell him of our hopes to restore diplomatic relations with Argentina.

You will find in the folder:

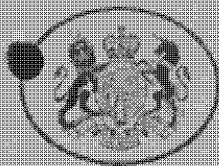
- a fuller note by the FCO;
- the record of your last meeting;
- a note by Robin Maxwell-Hyslop.

C.D.P.

CHARLES POWELL
7 February 1990

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Foreign and Commonwealth Office

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London SW1A 2AH

6 February 1990

Don Charles

Visit by Brazilian President-Elect

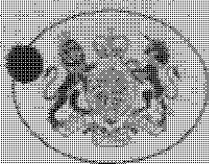
The Prime Minister will see Fernando Collor de Mello (Collor) at 1730 hrs on 8 February. I enclose a copy of Collor's programme. He will be accompanied by one of his advisers (I shall give details as soon as available) and by the Brazilian Chargé d'affaires. Michael Newington (HMA Brasilia) will attend the call.

On this pre-inauguration tour Collor has visited the USA, Japan, USSR, Germany, Italy and France where he has met Heads of State and Government. From London he goes to Portugal and Spain, where he will be received at a similar level. He last visited the UK in July 1989, when he saw the Prime Minister.

When he is inaugurated on 15 March 1990, Collor will be the first directly and democratically elected President of Brazil since 1960. His 5% win over his left wing opponent Lula in the December 1989 election gave him a clear mandate for reforming Brazil's overblown state-sector and rooting out corruption. But he will need to act fast; he faces congressional elections in October 1990, so that the impression on the electorate of his first few months in office will be particularly important. Brazil teeters on the brink of hyperinflation - prices in January rose by over 56%. But despite current problems, Brazil's economy (the eighth largest in the free world) is fundamentally strong and diversified, and she creates the world's third largest trade surplus after Japan and West Germany. She has enormous natural resources and an industrious and well educated middle-class.

Collor will discuss debt with the Governor of the Bank of England, the Chairmen of the major UK banks and with the Chancellor. He is likely to stress that he is looking for an agreement with creditors, not confrontation, perhaps within the framework of the Brady plan. But he will claim that Brazil cannot meet her commitments unless the economy is able to grow. The level of debt service payments will be determined by what is available after allowing an adequate rate of growth, and not the other way round. He may talk in terms of a fixed percentage of GDP. Following a recent meeting, the Americans regard his attitude to debt as encouraging. The Prime Minister may like to point out that pursuit of a strong adjustment programme with IMF endorsement will help the climate for negotiations with the banks.

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Collor is known to be greatly concerned about the environment, on which he has considerable expertise. His policies include the rapid establishment of a national Environmental Secretariat, support for debt-for-nature swaps, and "green soldiers" to work on ecological areas. He promises to prevent the invasion of the lands of Amazon Indians (especially of the Yanomami) by gold prospectors; this problem has aroused great public concern in the UK. The Prime Minister may wish to ask him for details on how this will be achieved.

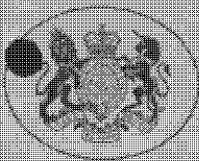
Brazil's current economic problems are daunting. The Prime Minister may wish to ask Collor how he proposes to bring down the 56% inflation rate and to stimulate a return to investment and growth. (Brazil needs to provide over a million new jobs a year to soak up new entrants into the labour force.) Much of Brazilian industry is protected by tariff and other barriers from the stimulus of foreign competition. There are also some measures to obstruct foreign investment where this would compete with existing terms. Collor has said that he wants to open up Brazil to foreign competition as a spur to modernisation and as a means to keep domestic prices down. He will face strong opposition.

Registered foreign investment in Brazil is almost £21 bn. The UK continues to invest heavily. Cumulative UK investment is slightly over a billion pounds. In 1989 - a particularly difficult year for Brazil - we invested only £18 million, but at the same time the Japanese and West Germans both disinvested heavily. Historically, Britain played a major role in Brazil's development; we built her railways and much of her heavy industry. British companies with interests in Brazil (including Shell, ICI, BAT and RTZ) report continuing high profits with no serious barriers to remittances. In 1989 UK exports to Brazil were £339m and imports were £817m. Collor stresses his objective of privatising parts of Brazil's inflated public sector, and clearly regards British experience in this area as relevant to Brazil.

The Prime Minister may care to remind Collor of the need to work together in fighting drugs. It is important to prevent the spread of coca production and processing from the Andean region into Brazil and to monitor movements of precursor chemicals used in illicit drugs production (many of which are manufactured in Brazil for legitimate purposes). It would be interesting to hear how Collor proposes to tackle this problem.

After the overthrow of military government in 1985, there has been an improvement in Brazil's human rights record. But there is evidence that the police in rural areas turn a blind eye to murders of peasants connected with land disputes. Amnesty International have produced three well documented

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reports on this. The Prime Minister may wish to remind Collor of widespread UK public concern on this point and express the hope that those responsible for such killings will be brought to justice. Encouragingly, he has nominated as his Justice Minister- Designate Bernardo Cabral, who has been a vigorous supporter of land reform.

Brazil has taken seriously her position as Argentina's protecting power in the UK. Despite a generally good relationship with the UK she has not always been as helpful over Falklands related issues as she might otherwise have been; too often, Argentina has exercised an effective veto over her policy in this area. The Prime Minister may wish to point out to the rapid and welcome improvement in our relations with Argentina, and tell Collor that we expect to be able to resume diplomatic relations after the next meeting in Madrid on 14/15 February. The key issue will be the Falkland Islands protection zone (FIPZ). The Argentines attach great presentational importance to its removal. This should be possible: we are ready to consider alternative, mutually agreed arrangements but only if they provide equivalent security.

Yours ever

(R N Peirce)
Private Secretary

C D Powell Esq
10 Downing Street

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COLLOR'S PROGRAMME

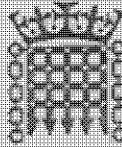
Wednesday 7 February

16.30 arrive Heathrow from Paris by private plane.
18.15 call on Foreign Secretary
19.10 call on Lord President
Evening free (at Collor's request)

Thursday 8 February

09.00 call by Governor of the Bank of England
09.45 call by Mr Ridley
10.15 call by Chairmen of major banks
12.00 call on Chancellor of the Exchequer
12.30 lunch hosted by Brazilian Chamber of Commerce.
15.00 audience of HRH The Prince of Wales
15.45 call by Mr Patten
17.30 call on Prime Minister
20.15 departure by private plane for Lisbon.

From: Robin Maxwell-Hyslop, M.P.



HOUSE OF COMMONS
LONDON SW1A 0AA

23/1/90

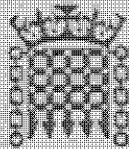
Dear Mark,

I understand that the President-elect of Brazil, Fernando Collor de Mello, is visiting the UK February 8-9th, and is likely to call on the Prime Minister. As Chairman of the British-Brazilian Group of the IPU, I have written a one-page brief for Margaret, noting some significant background facts that are generally not included in FCO briefs, I understand!

Fernando (Brazilians always employ Christian names after first introduction) has no significant party behind him, and was Governor of the tiny North Eastern state of Alagoas. So he has a very complicated construction job to do in forming his government of Ministers, to achieve nation-wide cohesion.

Yours sincerely
Robin

From: Robin Maxwell-Hyslop, M.P.



HOUSE OF COMMONS

LONDON SW1A 0AA

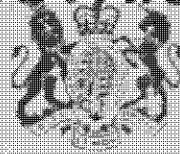
23/1/90.

Brazil: a background note.

- 1). Alone of all the South American countries, Brazil remained a monarchy after achieving independence. The monarchy endured until 1889, when the Emperor's insistence on abolishing slavery cost him his throne.
- 2). Lord Cochrane became the naval liberator of Brazil, after his better-known career as co-Liberator of Chile.
- 3). Whereas all the other South American countries were no more than nominal combatants in the last World War, Brazil put 25,000 troops into Italy on our side, captured a SS Division and an Alpini Division, and suffered many dead. She lost 95% of her merchant fleet in our cause, and her navy undertook anti-U-boat patrols in the South Atlantic. IT IS A MATTER OF GREAT SADNESS TO BRAZILIANS THAT IN BRITAIN WE TEND TO FORGET THIS, AND LUMP PORTUGUESE-SPEAKING BRAZIL MENTALLY IN WITH THE OTHER, SPANISH-SPEAKING REPUBLICS.
- 4). Brazil is 35 times the area of the U.K.; the state of Sao Paulo alone has a greater GNP and population than the whole of Argentina.
- 5). Brazil is the most recent foreign country to buy British frigates for her navy (the Niterói class, built by Vosper's). Her navy wants to buy Westland helicopters, despite French pressure to buy French instead.
- 6). The Rolls-Royce Aero Engine subsidiary company overhauling engines for the whole of South America is located in Brazil; the RAF chose the Brazilian "Tucano" trainer aircraft, which is made under licence by Shorts in Belfast.
- 7). Because of her Portuguese-linked history, Brazil looks to Britain as her link with the EEC (even though with the accession of Portugal, there is now that link as well).
- 8). When democratic processes were restored and a new constitution adopted, in my view Brazil made the unhappy mistake of having state-wide representation in the Federal Congress, instead of single-Deputy constituencies. In consequence, individual electors tend not to identify with their Parliamentary representative, making Congress less esteemed than it could and should have been.

Robin Maxwell-Hyslop

RESTRICTED



ea

bc ac

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

10 January 1990

VISIT BY THE PRESIDENT ELECT OF BRAZIL

Thank you for your letter of 9 January about the visit by Senor Collor de Mello. I am confident the Prime Minister would be ready to see him. She could manage 1730 on Thursday 8 February for up to one hour.

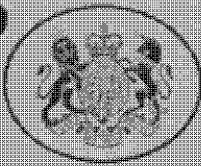
(CHARLES POWELL)

Stephen Wall, Esq.,
Foreign and Commonwealth Office.

RESTRICTED

ea

CAF



Foreign and Commonwealth Office
London SW1A 2AH

9 January 1990

Dear Charles,

Charles
no need
replied. So
I can offer
1730 to 1830
on Thurs 8 Feb.
AP
10/1

Visit by Brazilian President Elect

On 17 December Fernando Collor de Mello (Collor), the centre-right candidate in the Brazilian Presidential election, comfortably defeated his left-wing opponent. When he takes office on 15 March, he will be the first directly elected President of Brazil since 1960.

Collor will visit London from the afternoon of 7 February to the evening of 8 February. The Foreign Secretary hopes that the Prime Minister will be able to see him. Success for Collor's aim to root out corruption and to bring down Brazil's 50% monthly inflation rate by cutting the public sector, which he describes as "inefficient, corrupt, incompetent and gigantic", would go far to free Brazil's vigorous and entrepreneurial private sector, and also in developing her economy (already the eighth largest in the free world).

Collor last visited the UK in July 1989, when he called on the Prime Minister (on 4 July) and the Foreign Secretary.

A meeting with Collor will enable the Prime Minister to remind him of our interests in Brazil, our concern to see Anglo/Brazilian trade grow and of our contribution to helping Brazil on environmental issues on which he has a keen interest. His thinking on this and on privatisation seems to have become clearer since his last meeting with the Prime Minister. Collor's last meeting with the Prime Minister was helpful to his election campaign.

*Yours,
Stephen Wall*

(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

GRS 470

CONFIDENTIAL

Brasilia
Prime Minister

*See overleaf for the
conclusion of his report*

CONFIDENTIAL

FM BRASILIA 241400Z DECEMBER 81
TO IMMEDIATE FCO DESK BY 290900Z
TELEGRAM NUMBER 233 OF 24 DECEMBER

LM
27/11

YOUR TELEGRAM NO 227: EXCHANGE OF VISITS AT HEAD OF GOVERNMENT LEVEL.

1. AS THE FOREIGN MINISTER IS EFFECTIVELY OUT OF PLAY UNTIL EARLY IN THE NEW YEAR, I CALLED ON HIS CHEF DE CABINET ON 21 DECEMBER AND SPOKE AS INSTRUCTED IN PARAGRAPH 2 OF TUR. I ALSO SAID THAT THE UPSHOT OF THE FOREIGN MINISTER'S CALL ON THE PRIME MINISTER ON 1 DECEMBER HAD BEEN LESS CLEAR-CUT THAN WE COULD HAVE WISHED. IT MUST BE IN THE INTERESTS OF BOTH SIDES FOR OUR RESPECTIVE INTENTIONS AND EXPECTATIONS TO BE CLARIFIED.

2. AMBASSADOR CARONAR AGREED. HE SAID THAT THE BRAZILIAN PRESS HAD, AS USUAL, RUN AHEAD OF THE GAME AND THAT THE AUTHORITIES WERE QUITE CLEAR THAT THE PRIME MINISTER HAD DONE NO MORE THAN ACCEPT PRESIDENT FIGUEREIDO'S INVITATION IN PRINCIPLE. HE NOTED THAT A VISIT TO BRAZIL BY MRS THATCHER IN 1982 MUST ANYWAY BE REGARDED AS VERY UNLIKELY, AS SHE HERSELF HAD INDICATED. AS TO THE QUESTION OF WHICH VISIT SHOULD TAKE PRIORITY, HE DID NOT THINK THAT EITHER THE PRESIDENT OR THE FOREIGN MINISTER WOULD ATTACH OVERMUCH IMPORTANCE TO THE PROTOCOL ASPECT, (WHICH WOULD, IF RIGIDLY INTERPRETED INDICATE A VISIT HERE BY THE PRIME MINISTER BEFORE ONE BY THE PRESIDENT TO BRITAIN). THEY WOULD RATHER TAKE A PRAGMATIC VIEW OF TIMING, HAVING REGARD TO THE BUSY PROGRAMME FOR 1982 OF BOTH PROTAGONISTS. SO FAR AS PRESIDENT FIGUEREIDO WAS CONCERNED, IN THE FIRST HALF OF THE YEAR HE ALREADY HAD MAJOR VISITS TO CANADA AND THE UNITED STATES PLANNED AND THERE WERE ONE OR TWO OTHERS IN THE OFFING. IN THE SECOND HALF, THE PRESIDENT'S ATTENTION WOULD BE MAINLY FOCUSSED ON THE NOVEMBER ELECTIONS; AND NO FIRM COMMITMENTS COULD AT PRESENT BE MADE FOR FOREIGN TRIPS DURING THAT PERIOD. MOREOVER, HIS ADVISERS WOULD BE ANXIOUS TO SAVE HIM FROM UNDUE EXERTION ON HEALTH GROUNDS THROUGHOUT THE YEAR.

3. IN REPLY TO MY QUESTION, CARONAR SAID CAUTIOUSLY THAT HE DID NOT KNOW HOW THE PRESIDENT HIMSELF WOULD VIEW THE PROSPECT OF A VISIT TO BRITAIN; THOUGH HE WAS SURE THAT HE WOULD FIND IT ATTRACTIVE. HE WAS CONFIDENT THAT THE PRESIDENT WOULD SEE NO OBJECTION OF PRINCIPLE TO AN OFFICIAL RATHER THAN A STATE VISIT (I EXPLAINED THAT THIS WAS QUITE OUT OF THE QUESTION, IN THE LIGHT OF PRESIDENT GEISEL'S STATE VISIT IN 1976), SO LONG AS THERE WAS SOME INVOLVEMENT OF THE QUEEN IN THE PROGRAMME, WHICH I CONFIRMED WOULD NORMALLY BE THE CASE.

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H.

CONFIDENTIAL

4 CARBONAR UNDERTOOK TO RELATE OUR CONVERSATION TO THE FOREIGN MINISTER AND LET ME KNOW HIS VIEWS. THIS HE DID LAST NIGHT. HE CONFIRMED THAT DR GUERREIRO'S FIRST REACTION (IE WITHOUT CONSULTING THE PRESIDENT) ENTIRELY COINCIDED WITH HIS OWN. WE OUGHT TO CONCENTRATE OUR ATTENTION ON THE POSSIBILITY OF RECIPROCAL VISITS IN 1983, WITHOUT COMPLETELY EXCLUDING 1982 IF A SUITABLE WINDOW COULD BE FOUND. HE SAID THAT THE MINISTER WOULD LIKE TO EXPLORE THIS TOPIC WHEN HE COMES TO DINE WITH ME ON 19 JANUARY. BY THAT DATE, ALTHOUGH CARBONAR DID NOT MENTIONED IT, DR GUERREIRO SHOULD HAVE HAD TIME BOTH TO REFLECT ON THE MATTER AND TO TAKE THE MIND OF THE PRESIDENT HIMSELF.

COMMENT

4 I THINK THAT THIS QUESTION IS NOW SAFELY BACK ON THE RAILS. I WILL REPORT FURTHER IN THE NEW YEAR.

HARDING

LIMITED

SAH

PC

PLANNING STAFF

PS

PS/HPS

PS/MR LUCE

PS/PUS

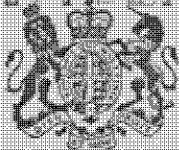
MR DAY

MR URE

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No. 10 DOWNING STREET

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File B

Brazil
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10 DOWNING STREET

From the Private Secretary

11 November 1981

President of Brazil

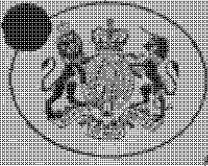
The Prime Minister has seen your letter to me of 9 November and is content that an invitation should be issued to General Figueiredo to visit this country as a guest of the Government in late 1982 or early 1983.

I am sending copies of this letter to John Rhodes (Department of Trade), David Omand (MOD) and Kate Timms (MAFF).

M. O'D. B. ALEXANDER

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

CONFIDENTIAL



Prime Minister

Foreign and Commonwealth Office

London SW1A 2AH

Apex invitation (twelve months hence)?

9 November 1981

Dear Michael,

Ans 9/11

The Foreign and Commonwealth Secretary wishes to propose that the President of Brazil, General Joao Figueiredo, should be invited to the UK as a guest of the Prime Minister in late 1982 or early 1983.

In recognition of Brazil's growing international influence, its capacity to become a world power in the next century, and the commercial opportunities inherent in its long-term economic prospects, it is our objective to strengthen and consolidate Anglo/Brazilian relations in all fields. There are signs that our efforts are beginning to meet with success. Following Lord Carrington's visit to Brazil in 1980, our political relationship has a good deal more warmth and substance. Commercially, the signature during the Brazilian Planning Minister's recent visit to London of a Memorandum of Understanding, providing for some £350 million of business for British companies, marks a major advance and has underlined the opportunities for us.

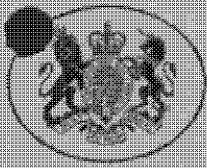
We need to keep up this new momentum during the remaining three years of the Figueiredo Administration's term of office. An invitation to the President to visit Britain would be the most effective way of achieving this. There have been hints from Brasilia that, having visited France and the FRG in the last two and a half years, the President would like to come to the UK; and an invitation from the Prime Minister would be warmly received by the Brazilians. Although President Figueiredo has recently had a heart attack, he is expected to make a good recovery.

Lord Carrington is recommending a Head of Government rather than a State Visit. The Queen visited Brazil in 1968 and President Geisel came here in 1976. A further State Visit would be premature and would in any case, for protocol reasons, need to be an outward one. President Figueiredo's recent visit to the FRG was also as Head of Government.

If the proposal is acceptable, Lord Carrington recommends that the Prime Minister issue an invitation when she sees the Brazilian Foreign Minister on 1 December. This would be much appreciated, and would contribute to making that visit a success.

I understand that it would be difficult for the Prime Minister to fit in a visit by President Figueiredo before late 1982/early 1983. This point would need to be got across at the time an invitation was issued, but the Brazilians will understand that the Prime Minister has many commitments. If you can agree that the

/invitation



invitation should be issued, we shall include a suitable formula in the briefing we send over for the Foreign Minister's call.

I am sending copies of this letter to the Private Secretaries to the Secretary of State, the Secretary of State for Defence and the Minister for Agriculture, Fisheries and Food.

/for
Trade

Yours etc
R M J Lyne

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing St

Grey Scale #13

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Colour Chart #13

Blue

Cyan

Green

Yellow