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Pine Minister

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SECRETARY OF STATE FOR TRADE

VISIT TO SOUTH AMERICA 2-16 SEPTEMBER 1982

I visited Chile, Paraguay and Ecuador between 2-16 September 1982, accompanied by a team of businessmen who are listed at Annex A. Although my main objective was to promote British exports, as I was the first Minister to visit these countries since the Falklands crisis, the visit served to test the present state of our political relations. My programme is at Annex B.

CHILE

This was a pleasant and friendly visit, the Chileans being clearly pleased to see us. Although Ministerial changes had been made just before my arrival, this did not interfere with my programme. I was received by President Pinochet, Sr Rene Rojas, Minister for Foreign Affairs, Sr Rolf Luders, the newly appointed Minister of Finance, Sr Ramirez, Minister for the Chilean Development Corporation (my host) and others.

*Passage deleted and temporarily retained.
Wayland, 31 July 2014*

But I found Sr Rojas very sensitive on the Chilean record on human rights and the apparently selective approach to this question by other countries of the world. He was unreceptive to our message that we would like to help Chile in international fora if she herself would help us to do so. He said he did not care about foreign criticism. I also paid a formal call on President Pinochet who appeared understanding of our position over negotiations with the Argentine, but emphasised that Chile had a long common frontier with the Argentine and would have to live with that country whatever the situation in the South Atlantic. There is a noticeable feeling of political isolation in Chile which is almost certainly compounded by geographic remoteness, and I believe we should - despite the criticism it will undoubtedly bring - do what we can to bring Chile back into a closer relationship with ourselves and the West generally. In this context, the Chileans also showed particular interest in increasing their imports of military hardware from the UK.

The Chilean economy is running into some difficulty after several years of success for the government in applying monetarist policies. Unemployment - now about 28% - is the major worry. The Government have unpegged the peso from the US dollar in the



hopes that devaluation will price more people back into jobs. Chile's difficulties are small in comparison with some of her neighbours and she should ride out the storm. But it is not a time when we can hope for rising exports. There are opportunities however - in energy, transportation and mining in particular - which my team were able to explore. Cryoplant (a subsidiary of BOC) is in strong contention to supply an oxygen plant for a copper refinery. I was able to prevail upon Sr Luders to agree that the two sides should explore at official level the possibilities of concluding a Double Taxation Agreement, in which Chile has hitherto shown little interest. Sr Luders appeared to indicate that he would modify to a degree the monetarist policy of his predecessors and would be prepared to contemplate an inflation rate of between 15% and 20%. The Chilean Government seem set on an interesting policy of privatisation and to contemplate with equanimity part of their public utilities passing into the hands of foreign investors. I am not confident however that in present circumstances there will be many investors attracted by this prospect. During lunch at the British Chamber of Commerce I gave a speech on the British economy.

PARAGUAY

My visit was the first by a British Minister for a very long time. I was received with great warmth and courtesy, being given a Guard of Honour on arrival and departure. My programme included calls on President Stroessner, Sr Nogues, Minister for Foreign Affairs, Sr Ugarte Centurion, Minister for Industry and Commerce (my host) and other members of the economic team.

My statement of our position on the sovereignty of the Falklands was accepted; in explaining why Paraguay could not adopt a more positive attitude Sr Nogues said his country would continue to take a neutral line in the UN. The Paraguayans have little obvious love for the Argentines and made no secret of their pleasure at our victory.

My programme included a visit to the Itaipu dam being constructed on the River Parana between Brazil and Paraguay. When complete this will be the largest hydro-electric scheme in the world and when it starts next year, will bring Paraguay sufficient cheap power for its foreseeable needs and considerable earnings from the re-export of electricity to Brazil which the Government proposes to invest in part in the development of the Chaco region. With other such hydro-electric schemes to be undertaken in co-operation with the Argentine further downstream these earnings will assure Paraguay's economy in the foreseeable future, while enabling her to develop her own industrial base. Paraguay's present economic difficulties should therefore only be short term. My team of businessmen was able to follow up some promising leads in project business; in particular GKN/Wimpey



will be bidding for a project to modernise and extend the ports at Villeta and Asuncion; for the latter, Sir William Halcrow and Partners carried out the feasibility study.

The Paraguayans expressed considerable interest in being able to replace Argentina as a supplier of corned beef to the UK. A MAFF veterinary inspector was due shortly after my departure to examine packing premises with a view to clearing them for hygienic acceptance. The re-starting of Paraguayan supplies to the UK could improve our bilateral relations and help redress the trade imbalance which is historically in our favour. I was able successfully to intercede with both the President and the Foreign Minister on starting talks on a bilateral agreement which would permit Lamport and Holt to recommence bilateral shipping services, following the Paraguayans' arbitrary arrogation of 100% of cargoes to their own line.

President Stroessner during my call on him was more concerned to discuss military history than current political and economic assets. However he expressed interest in buying more arms from Britain and I said we would consider sympathetically any requests they might make. Our success in the Falklands had clearly had its effect.

ECUADOR

As in Chile my visit followed hard on a Ministerial reshuffle but the Ecuadoreans managed to keep all appointments. I was received very cordially by President Hurtado, Vice President Roldos, Dr Valencia, Foreign Minister, Dr Alcivar, Minister of Industry and Commerce and Integration (my host), other members of the economic team, the Mayor of Quito and the Mayor of Guayaquil, where I spent a day.

Despite Ecuador's support for the Argentine during the Falklands dispute I found no sign of anti British feeling. My statement on our position on Falklands sovereignty to the Foreign Minister was received politely and drew the comment that he hoped we would not block the inclusion of the Falklands question on the UN agenda and that we could accept a UN resolution which called for a negotiated peaceful settlement. The President however was clearly more interested in the export of bananas and the development of the Oil industry than in the Falklands conflict or the impossibility of negotiations with the Argentine.

During my visit to Guayaquil I visited the National Institute of Fisheries where British TCOs are doing valuable work in helping



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Ecuador to improve the efficiency of her fishing industry and find new products for export.

Like other countries in the region, Ecuador is at present experiencing economic difficulty mostly due to low world commodity prices. But her problems bearing in mind her likely self-sufficiency in oil seem containable. We came under attack for the historic surplus in our bilateral trade (our exports are several times the value of Ecuador's to us) and the fact that we give preference under the Lome Convention to ACP bananas. We gave no ground on the latter point but offered a study on Ecuadorean produce to see what additional items they might be able to sell to us. This was accepted. I also pressed the Ecuadoreans to conclude an agreement to permit the Commonwealth Development Corporation to proceed with investment in an agricultural project. The Ecuadoreans expressed interest in a Double Taxation Agreement on shipping, which I hope Inland Revenue can follow up.

Several projects were discussed, including the use of BL buses in Quito. The most promising opportunity seems to lie in mini hydro schemes which Balfour Beatty are following up with the Vice President, who seemed especially keen.

At lunch at the Ecuadorean American Chamber of Commerce I gave a speech on "Britain as a trading partner in Latin America," and was again able to stress the hard-won successes of our economic policies.

CONCLUSIONS

Our share of the Latin American market - now about 2½% - has been declining over many years. This is a direct result of our neglect of Latin America, which itself stems in part from the fact that, until the Falklands dispute, no defence strategic or political considerations have directed our attention to the region. The heavy indebtedness of the major Latin American economies will cast its shadow over the entire region in the short term; we therefore cannot expect any early dramatic upturn in the level of our exports.

The visit was of particular value coming so soon after the Falklands crisis. My clear impression is that our bilateral relations with Chile, Paraguay and Ecuador have not suffered as a result of the dispute. Indeed throughout my stay, we received considerable and very favourable TV, radio and press coverage. It was also noticeable how many countries' perception of national and international problems was coloured by their past and current

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frontier disputes with their neighbours. These deserve and no doubt receive close study. Latin America considers herself to be and clearly is part of the Western world. It is in our interest to keep her there. We should build on the abundant goodwill which exists for Britain, maintaining close contact during the current times of economic depression. This will not only assist us in the long term to improve our market share but will be helpful to our Falklands policy by enabling us to influence the opinions of the Argentine's neighbours.

I am copying this to the Prime Minister, the Chancellor, the Secretary of States for Foreign and Commonwealth Affairs, Defence and Industry, Neil Martin and to Cranley Onslow.

Jonathan Rees

PP PETER REES

(Approved by the Minister and signed in his absence)

ACCOMPANYING BUSINESSMEN ON VISIT TO
CHILE, PARAGUAY AND ECUADOR

Mr Eric Loewy	- Sir William Halcrow and Partners
Mr Alan Tabbush	- GKN International
Mr Kenneth Odell	- Balfour Beatty
Mr Ivon Piette	- GEC
Mr Bryan Norman	- Lazard Brothers

the following also joined the party:

Mr Kenneth Sidey	- Tarmac (Chile and Ecuador)
Mr David Barber	- Lamport and Holt (Paraguay)
Mr Colin Armstrong	- Inchcape International (Ecuador)

PROGRAMME

CHILE (arrived 11.35 Friday 3 September)

Friday 3 September

Call on Sr Rolf Luders - Minister for Economy, Development
and Reconstruction

Saturday 4 September

Visit to El Teniente copper mine

Sunday 5 September

Free. During afternoon called on Sr Jorge Fontaine,
President of Confederacion de la Produccion y del
Comercio at his country home

Monday 6 September

Calls on -

Sr Rene Rojas - Minister for Foreign Affairs

Col Enrique Seguel - Acting Minister of Economy

Lunch and speech at British Chilean Chamber of Commerce

Press Conference with British press

Meeting with President of Confederacion de la Produccion
y del Comercio and Heads of other national bodies
representing sectoral interests

Evening reception given by my host Colonel Ramirez, Minister
for Chilean Development Corporation

Tuesday 7 September

Calls on -

General Caupolitan Boisset - Minister for Transport and
Telecommunications

Lt Gen Herman Brady - President of National Energy
Commission

President Augusto Pinochet

Lunch with ENDESA (National Electricity Authority)

Calls on

Sr Ramirez - Minister for Chilean Development
Corporation

Sr Samuel Lira - Minister for Mining, with senior
representatives of state copper and oil
companies present

Press Conference

Reception by HM Ambassador

PARAGUAY (Arrived 11.55 Wednesday 8 September)

Wednesday 8 September

Call on Dr Delfin Ugarte Centurion - Minister for Industry
and Commerce

Meeting with Paraguayan Industrial Union

Thursday 9 September

Lay wreath at Pantheon

Calls on -

Sr Alberto Nogues - Minister for Foreign Affairs

Gen Juan Cacaes - Minister for Public Works

Lunch with Bank of London and South America

Visit Coopers and present ICI crop sprayers to Paraguayan
Ministry of Agriculture (gift from HMG)

Meeting with Administracion Nacional de Electricidad (ANDE)

Reception given by Dr Ugarte Centurion (my host)

Friday 10 September

Call on President Stroessner

Visit Brooke Bond liebigs estancia

Supper given by HM Ambassador

Saturday 11 September

Visit Itaipu hydroelectric project as guest of ANDE. (Also
visit to Foz do Iguacu falls)

ECUADOR (arrived 0340 Sunday 12 September)

Guayaquil

Monday 13 September

Visit National Institute of Fisheries

Call on Senor Bolivar Cali, Mayor of Guayaquil and meeting
with Board of Chilean Development

Lunch hosted by HM Ambassador

Meeting with Guayaquil Chambers of Commerce and Industry

Quito

Tuesday 14 September

Calls on -

Dr Luis Valencia - Minister for Foreign Affairs

President Oswaldo Hurtado

Sr Orlando Alcivar - Minister for Industry, Commerce and
Integration (my host)

Lunch and speech at Ecuadorean American Chamber of Commerce

Working session at Ministry of Industry, Commerce and
Integration

Call on Vice President Dr Leon Roldos

Supper hosted by Sr Orlando Alcivar

Wednesday 15 September

Call on -

Dr Alvaro Perez - Mayor of Quito

Ing Rodolfo Baquerizo - Chairman House of Representatives

Dr Gustavo Galindo - Minister for National Resources

Lunch hosted by HM Ambassador

Call on British Council offices

Press Conference