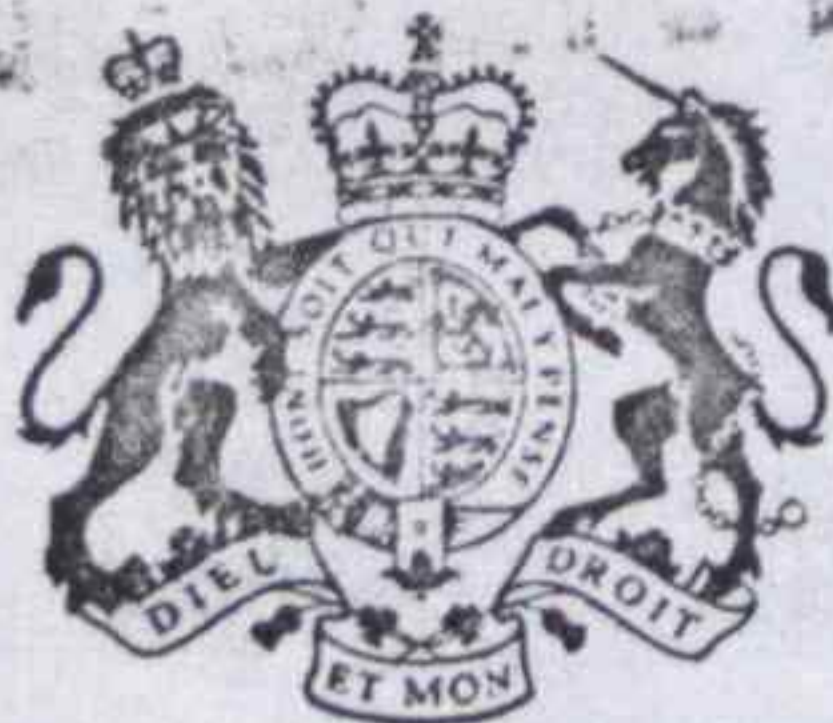


CONFIDENTIAL



Handwritten initials and a signature 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