



Foreign and Commonwealth Office

London SW1A 2AH

26 May 1983

cc. Mr. Scholes
Mr. Walters
and return to me pl.

Dear John,

A.F.C. 26.
5

Williamsburg: Message from the
President of Brazil

I enclose a message from President Figueiredo to the Prime Minister about Williamsburg. This was delivered to us today by the Brazilian Ambassador in London, with the request that it be delivered to you as soon as possible. I assume that similar messages have been sent to the other Summit participants. We will send a draft reply to the message from the Prime Minister after Williamsburg.

Your ever

John Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

"To The Right Honourable
Margaret Thatcher,
Prime Minister of the
United Kingdom of Great Britain
and Northern Ireland

I would be remiss in my duty to the Brazilian people if I did not write to you, as I am also doing to the other participants, on the eve of your forthcoming meeting with the Heads of Government of other developed countries in Williamsburg, to put across some of the concerns and hopes which are widely shared these days by the Brazilian public opinion, in the face of painful economic difficulties largely caused by external circumstances.

My concerns are essentially related to the instability and precariousness which characterize the international economic system, following the many upheavals it has undergone in a little more than a decade. Its shortcomings constantly impose on the developing countries, which are the weaker part of the system, new and increasingly arduous challenges, sometimes aggravated by economic policies of the major economic powers.

Brazil for its part has been severely affected by the liquidity crisis which arose in the last months of 1982, precisely when the country was beginning to reap the fruits of an intense effort to adjust to the difficulties of the 70's - an unparalleled effort in view of the wide scope of the programmes

envisaged, particularly in the energy sector, where for the first time a country is engaged in a large-scale program of substituting biomass for oil as fuel.

Having contributed considerably to the process of adjustment of the developed economies in the 70's through its integration in the international economy and through the mobilization of foreign financial resources, Brazil now finds itself strongly constrained by the narrowing of the access for its products to markets in the developed countries, and by the shrinkage in the financial flows to which it had to resort.

More than denying my country the just reward for its labour, the current vicissitudes of the world economy now deny it the very opportunity to fulfill its people's aspirations to development.

My country is caught in the vise of a pincer movement by forces beyond its control: in two years, the interest on the servicing of its debt has doubled and its exports have suffered a one-third loss in purchasing power. When any country, let alone a developing country, simultaneously faces such problems - and sees that similar troubles afflict many other developing countries - it cannot remain silent as to the urgent need for north and south to engage in an objective and effective dialogue, to the benefit of both.

I am convinced, Mrs. Prime-Minister, that only a firm political decision will enable the world economy and its trade and financial mechanisms to regain the conditions necessary to generate sustained growth. Otherwise there can be no lasting

solution either to the problems of the north or to those of the south.

There are three fields, in my view, where action should be taken:

- short-term measures to stimulate the reactivation of economic activity in the north as well as in the south.
- readjustment of the domestic economic structures to the new patterns of production and trade. In the case of developed countries, the structural adjustment should be geared to modernizing their economies and overcoming once and for all the reasons which lead them to adopt protectionist barriers, so that those barriers do not persist to the point of restricting, or even nullifying, the expansion of trade which may result from the short-term measures of reactivation.
- an immediate start to the revision, on a coordinated basis, of the trade and financial systems, without which little can be expected from efforts limited to the recovery of the major economies and their internal readjustments, or from attempts to deal with specific problems and emergency situations within one system or another.

My country, as you are aware, is now engaged in a rigorous programme of restraint to adjust to a liquidity crisis engendered by external factors. My Government sees this programme as an indispensable effort and will carry it out with determination,

especially as Brazil considers it a preparation for resuming, as soon as possible, the dynamic growth which is essential for it to overcome the hardships of underdevelopment.

Brazil, Mrs. Prime-Minister, trusts that the developed nations of the west will acknowledge the need for coordinated actions to overcome the tearing political and social tensions stemming from the readjustments imposed by the present crisis, and that they will not fail to take advantage of all opportunities which may present themselves from now to imbue the dialogue with the developing countries with the political impetus capable of establishing the foundations of a new phase of prosperity in the world economy.

It is for this reason that I address you to express the interest with which I await the results of the Williamsburg meeting, which, I trust, will prove to be beneficial to us all.

Highest consideration.

Joao Baptista de Oliveira Figueiredo
President of the Federative Republic of Brazil"