

PREM 19/1342

Confidential Filing

Visit of Dr Nuno Soares, November 1982

Visit of Prime Minister, Dr Sa Carneiro
and Foreign Minister Professor Freitas
do Amaral in May 1980

PORTUGAL

MARCH 1980

Visit of Professor do Amaral in November
1982

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
30.4.80.		11.10.84					
14.5.80		12.11.84					
19.5.80		14.11.84					
22.5.80		15/11/84					
18.6.80		16.11.84					
4.6.80		22/11/84					
13.6.80.		11.12.84					
16.6.80.		17.12.80					
15.7.80							
24.7.80							
25.7.80							
10.11.82							
10.2.83							
9.5.84							
3.7.84							
25.9.84							

CLOSED



Portugal

10 DOWNING STREET

NOTE FOR TOP OF FILE.

Any further papers on Pre-
Accession aid to Portugal
to go on Euro. Pol.

May 79
~~March 1980~~ : Enlargement of
the European Community.

25. 7. 80



FIVE 84

10 DOWNING STREET

From the Private Secretary

17 December, 1984

* I enclose a copy of a letter to the
Prime Minister from Senhor Soares. No reply
is needed.

* file dated 3/12/84

C. D. POWELL

Colin Budd, Esq.,
Foreign and Commonwealth Office

81 L

CHARLES

Portuguese Embassy,
11, Belgrave Square,
London, SW1X 8PP

Proc. 2,212

Nº

London, 14th December, 1984

R15

Dear Mr. Powell

I am sending you a letter (together with a free translation) from the Prime Minister of the Republic of Portugal, Senhor Mário Soares, to your Prime Minister.

I would appreciate it very much if you would be kind enough to transmit its contents to the Prime Minister at your earliest convenience.

* Filed & dated 3/12/84

Yours sincerely

Jm' M. a M

(J. M. Shearman de Macedo)
Minister-Counsellor

Charles D. Powell, Esq.,
Private Secretary,
The Prime Minister's Office,
10, Downing Street,
LONDON,
S.W.1

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JPC



Foreign and Commonwealth Office

London SW1A 2AH

11 December 1984

Dear Charles,

*N BPM
EOP
11/12/84*

Prime Minister's Meeting with Portuguese Prime Minister:
Hong Kong

Your letter of 22 November enclosing the record of the Prime Minister's meeting with Dr Soares referred to the Prime Minister's promise to let the Portuguese have a note explaining the Hong Kong agreement.

The following day, when Derek Thomas saw the Portuguese Political Director, he referred to the Prime Minister's undertaking to Dr Soares. He gave Proenca a copy of the White Paper on Hong Kong, which contains both the agreement and full explanatory notes on it. He also gave him a short memorandum summarising what had been achieved in the negotiations. He added that, if the Portuguese wished to follow up on any of the detail, the Hong Kong Department of the Foreign and Commonwealth Office would be very glad to talk in detail to any officials whom they might care to send over.

Senhor Proenca was grateful for the papers, and said that the Portuguese would like to take up the offer of official talks in due course. We stand ready to respond as soon as this happens.

*Yours ever,
Peter Ricketts*

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

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Portugal: Visit of Soares

Foreign and Commonwealth Office

London SW1A 1AA



1984
12 1 2 3 4 5 6 7 8 9 10 11 12
1984

FREE TRANSLATION

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T203A/84

MASTER
cc OPS
MASTER
(Dear Prime Minister,)

I would like to thank you for the warm welcome you extended to my delegation, to my wife and to myself on the occasion of my official visit to London from 20th to 23rd November.

Our talks strengthened my conviction that we share the same points of view about international problems. We also share the certainty that Europe must gain an audible voice in the international scene by strengthening the solidarity between european countries.

The contacts that both I and members of the Portuguese delegation established with representatives of several areas of activity in the United Kingdom, namely financial, economic and cultural, were very useful. I hope they may have contributed towards a better knowledge of the present Portuguese reality by the public opinion of the United Kingdom.

The honour of being received, both my wife and I, by Her Majesty the Queen was an eloquent sign of the friendship between our two countries which the forthcoming visit of Her Majesty will greatly contribute to reinforce.

Please give my wife's and my best regards to your husband.

With my renewed thanks, please accept the assurances of my highest consideration. (and personal esteem)



PRESIDÊNCIA DO CONSELHO DE MINISTROS

Gabinete do Primeiro Ministro

Lisboa, 3 de Dezembro de 1984.

Sealor Picavet de Azeite,

Venho agradecer a Vossa Excelência o tão caloroso acolhimento que nos foi dispensado, à minha delegação, a minha Mulher e a mim próprio, por ocasião da minha visita oficial a Londres de 20 a 23 de Novembro findo.

As conversas que tivemos entre nós reforçaram a convicção que já tinha de que partilhamos dos mesmos pontos de vista sobre os problemas internacionais e de que temos a mesma certeza sobre a necessidade de a Europa se tornar uma força audível no contexto internacional, através de uma maior solidariedade entre todos os países que a formam.

Os contactos que eu próprio, e membros da delegação portuguesa, tivemos oportunidade de fazer com representantes de vários sectores de actividade no Reino Unido, dos meios financeiro, económico e cultural, foram para nós da maior utilidade e espero que tenham contribuído para um melhor conhecimento da actual realidade por parte da opinião pública do Reino Unido.

A honra que nos foi concedida por Sua Majestade a Rainha, ao receber-nos a minha Mulher e a mim, foi um sinal

.../...



PRESIDÊNCIA DO CONSELHO DE MINISTROS

Gabinete do Primeiro Ministro

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eloquente da amizade que une os nossos dois países, que a próxima visita de Sua Majestade muito contribuirá para reforçar.

Peço-lhe que transmita a seu marido os melhores cumprimentos de minha mulher e os meus.

Com os meus renovados agradecimentos, aceite a expressão da minha mais elevada consideração

e a sua família.

Luís Gama

Sua Excelência

Margaret Thatcher, MP

Primeiro Ministro do Reino Unido

L o n d r e s

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Foreign and Commonwealth Office

London SW1A 2AH

22 November 1984

Dear Charles,

Portugal: Dr Mario Soares

You may have seen Lisbon telno 365 (copy enclosed for ease of reference) describing some unfortunate remarks attributed to Dr Mario Soares.

Our Embassy in Lisbon have reported that Dr Soares claims to have been misrepresented and that he will rectify matters at a meeting this evening with Diplomatic Press correspondents. We are taking steps to ensure that the importance of doing so is passed on to him.

Meanwhile, it may be an encouraging straw in the wind that Dr Soares was willing to make special arrangements in the course of his programme to see the representative of Wiggins Teape.

*Yours ever,
Colin Budd*

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

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IMMEDIATE

1226/22

ADVANCE COPY

LISFO 003/22

00 FCO

00 UKREP BRUSSELS to rectify matters at his request

GRS 170

RESTRICTED

FM LISBON 221130Z NOV 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 365 OF 22 NOVEMBER

AND TO IMMEDIATE UKREP BRUSSELS

Mr Neilson

Mr. Brighty has telephoned to say that Mr Soares claims to have been misreported, and hopes

to rectify matters at his request with the Diplomatic Press Comps this evening. I have told copy address

W. Houston 22/11

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MR JENKINS

MR PENWICK

HD SED

ECI(E)

SOARES IN LONDON: ACCESSION AND INVESTMENTS

1. TODAY'S PORTUGUESE PRESS REPORTS COMMENTS MADE IN LONDON BY PRIME MINISTER SOARES ON PROSPECTS FOR BRITISH INVESTMENT. ONE REPORT SAYS THAT BARCLAYS BANK CAN OPEN IN PORTUGAL QUOTE AS SOON AS THERE IS A CLEAR SIGN OF CONCLUSION TO THE NEGOTIATIONS FOR ENTRY INTO THE EEC UNQUOTE. THE REPORT SAYS THAT THE BANK OF PORTUGAL IS FAVOURABLE TO BARCLAYS SETTING UP HERE, BUT THAT A POLITICAL DECISION NEEDS TO BE TAKEN WHEN THERE IS CONCRETE EVIDENCE OF THE OUTCOME OF THE ENLARGEMENT NEGOTIATIONS.

2. DIARIO DE NOTICIAS (STATE OWNED) REPEATS THIS STORY, AND REFERS TO INVESTMENTS IN THE PULP AND COPPER SECTORS (WIGGINS TEAPE AND RTZ). IT SAYS THAT IN THESE CASES TOO A DEFINITIVE SOLUTION WILL BE AFFECTED BY AN QUOTE OVERALL OFFSETTING PACKAGE UNQUOTE (ESQUEMA DE CONTRAPARTIDAS GLOBAIS) OF WHICH EC ACCESSION IS A PART.

3. I HAVE ALREADY BEEN ASKED BY MY FRENCH COLLEAGUE ABOUT THESE REPORTS. SIMILAR PRESSURE HAS BEEN PUT ON THEM OVER THE WOULD-BE OPENING OF A FRENCH BANK HERE. THE FINANCIAL TIMES CORRESPONDENT HAS ALSO SPOKEN TO ME, AND IS LIKELY TO FILE A STORY ABOUT PORTUGUESE ATTEMPTS TO USE INWARD INVESTMENT APPROVALS AS CRUDE LEVERAGE TO ACCELERATE THE ACCESSION NEGOTIATIONS.

BRIGHTY

subject "master"

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JD

10 DOWNING STREET

From the Private Secretary

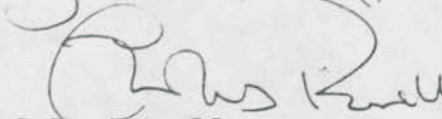
22 November, 1984.

Dear Colin,

Prime Minister's Meeting with the Portuguese
Prime Minister

I enclose a record of the Prime Minister's meeting with Dr. Soares yesterday evening. You will see there is one point requiring follow-up: the Prime Minister promised to let Dr. Soares have a note explaining the Hong Kong Agreement. I should be grateful if this could be sent to the Portuguese Ambassador.

I am sending copies of this letter and enclosure to David Peretz (HM Treasury), Callum McCarthy (Department of Trade and Industry), and Richard Hatfield (Cabinet Office).

Yours sincerely,

C.D. Powell

C.R. Budd, Esq.,
Foreign and Commonwealth Office.

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RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND THE PRIME
MINISTER OF PORTUGAL AT 10 DOWNING STREET ON 21 NOVEMBER, 1984
AT 1845 HOURS

Present:

Prime Minister
Foreign and Commonwealth
Secretary
Minister for Trade
HM Ambassador, Lisbon
Mr. D. Williamson
Mr. D. Thomas
Mr. C.D. Powell

Dr. Mario Soares
Senhora Raquel Ferreira
Dr. Antonio Martta
Portuguese Ambassador
Senhor Joao Uva de Matos
Proenca
Senhor Joao Nunes Barata

The Prime Minister extended a warm welcome to Dr. Soares, and recalled her own happy visit to Portugal. She looked forward to hearing an account of developments in Portugal since her visit. She would also like to discuss Portugal's negotiations with the European Community. We were very anxious to see these completed as soon as possible. Dr. Soares said that he hoped his visit would strengthen the traditional bond between Britain and Portugal. The Prime Minister's visit to Portugal had left an indelible impression.

Economic and Political Situation in Portugal

Dr. Soares said that the Presidential Elections in October next year were already casting their shadow over the Portuguese political scene. Difficult decisions were needed which would affect Portugal's future development, but they would involve some unpopularity for the Government. This was causing unrest within the Coalition.

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Dr. Soares continued that there had already been significant progress on the economic front. The deficit had been dramatically reduced. His Government had also set about reducing the size of the State sector, and opening up banking and insurance to private enterprise. He did not believe in the State Enterprise System. But the result of his economic measures would inevitably be to increase prices. In an election year it was essential for both the major parties in Government to accept the responsibility. It was not clear whether his Coalition partners were ready for this.

European Community

Dr. Soares recalled that his Government had signed a Constat d'Accord with the European Community. But they were now wondering what the purpose had been. There were still many blockages in the negotiations. These came from Spain more than from Portugal. Portugal favoured Spain's entry into the Community, for geo-political reasons, because it would confirm Spanish participation in NATO, and because it would strengthen the Community's relations with Latin America and Southern Africa. But it was not right that Portugal should be penalised because of difficulties arising in the Community's negotiations with Spain.

The Prime Minister said that it had been a very good move by Dr. Soares to seek a Constat d'Accord. It had helped to keep up the impetus in the negotiations. It seemed likely that some of the most difficult outstanding issues would come to the European Council in Dublin in early December. It was ridiculous that such detailed points should need to come to Heads of Government. But it seemed unavoidable, at least in the case of wine and possibly also fish. The Foreign and Commonwealth Secretary said that there would be a further meeting of Community Foreign Ministers next week when it was hoped to make progress on some of the outstanding issues.

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Dr. Soares said that there were no significant problems between the Community and Portugal on fish where Portugal had the same interest in restricting access by the Spanish fleet. More generally, his message was that if the negotiations with Spain ran into insurmountable problems, Portugal should not be dragged down as well. In his view, the conclusion of the negotiations with Portugal would put pressure on Spain to make progress. Once it was clear that Portugal would enter, it was unthinkable that Spain would remain outside the Community. As he had said, difficult decisions were required about Portugal's future economic development, and these could only be taken rationally if there was certainty one way or the other about Portuguese membership. It was worrying that signs of opposition to entry to the Community were beginning to surface in Portugal as a result of the delays. The Prime Minister accepted that it was essential to get decisions at the European Council. Dr. Soares said that a positive conclusion to the Accession negotiations was vital to consolidate democracy in Portugal. Prime Minister said that she had received the message.

Southern Africa

The Prime Minister recalled that she had met President Machel briefly in New Delhi at the time of Mrs. Gandhi's funeral. He had been his customary effervescent self. She recalled her earlier discussion on African problems with Dr. Soares in which he had stressed the importance of help for Mozambique. We had done our best since then. There was some risk that the scale of famine in Ethiopia would make people forget about famine elsewhere in Africa.

The Prime Minister continued that she had the impression that President Machel was trying to free himself from the Communist yoke. The agreement which he had reached with South Africa had not been easy for him, and he was disappointed that Renamo had not subsequently stopped its activities. It was clearly still being financed from somewhere. As regards Angola, it seemed that neither the MPLA

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nor UNITA could win, and there must eventually be some arrangement between them.

Dr. Soares said that his assessment was very similar. Portugal could not help President Machel unconditionally. He had not yet turned the necessary corner. Although he personally wanted to remove Mozambique from the Soviet sphere of influence, many of the leading lights in his party were pro-Soviet, and the whole system was Marxist. If Machel was assassinated, there would in all likelihood be a lurch back into the Soviet camp. The country was in a hopeless state. Nothing functioned. Marxism/Leninism had failed everywhere, but in Africa it had been a calamity. Dr Soares continued that Portugal was working closely with Machel, and making a substantial effort to provide aid. A point which caused particular concern was that the South Africans were being too tough on Machel in their negotiations with him. They should be more sensitive.

The Prime Minister said that she shared Dr. Soares' view on the tactics of the South Africans. But it was not easy to influence them. President Botha was the hardest man she had ever had to talk to. She had made clear to President Botha our deep disapproval of apartheid and of forced population removals. But she did not think she had made any dent in his views. Nonetheless, the effort had to be made. No one in South Africa talked to Botha in the way which we did. He was not used to having to justify his policies. It was significant that South Africa faced a number of economic difficulties. The price of gold and of diamonds was down, and the cost of involvement in Namibia was substantial. She believed that President Botha wanted to pull out of Namibia, but would not do so unless the Cubans left Angola. She understood his insistence on this point.

The Foreign and Commonwealth Secretary added that he valued his discussions with Dr. Gama on Southern African problems. It would be a great help to the Community to have Portugal's African experience.

Dr. Soares said that he thought the main risk in Angola was a deal between the Americans, the South Africans, and the Angola Government which would get the Cubans out of Angola, but at the cost of sacrificing UNITA. It was important to avoid that because UNITA could play a role in extracting Angola from the Communist camp. A more sensible objective would be to seek a compromise between the MPLA and UNITA. The Prime Minister asked how this could be done. Dr. Soares said that it would happen of its own accord, provided that UNITA was not eliminated as a result of agreements between outside countries reached over its head. The Prime Minister said that she was confident that the Americans would never contemplate such a deal. Dr. Soares recalled they had been complacent about the entry of the Cubans into Angola. The Prime Minister commented that that had come at a very difficult time for the United States. The situation was very different now. President Reagan had restored American confidence and initiative.

Hong Kong/Macao

The Prime Minister said that persistent, detailed, and able negotiations by the Foreign and Commonwealth Secretary had achieved a very good agreement with the Chinese Government on Hong Kong. She would be going to Peking to sign it. She wondered whether there were any implications for Macao. The Foreign and Commonwealth Secretary then gave a fuller account of the negotiations. The Prime Minister said that she would let Dr. Soares have a note explaining the details of the Hong Kong Agreement.

Dr. Soares recalled that when Portugal had re-established diplomatic relations with China in 1979, it had been established that Macao was not Portuguese territory, but was under Portugal's administration. The President of China and the Chinese Foreign Minister had recently visited Portugal, but had refused to allow any mention of Macao during their visit. Dr. Soares had had to delete even a passing historical reference in a speech. However, Macao caused no

worry to Portugal. Relations between the Portuguese authorities and the Chinese population were excellent.

Bilateral Matters

The Prime Minister proposed that because of lack of time a number of important trade and investment problems which she had intended to raise should be remitted to other Ministers who should also deal with the outstanding compensation cases. She wanted to draw attention particularly to problems being experienced by RTZ and by Wiggins Teape.

The meeting ended at 1950 hours.

edp

22 November, 1984.

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SPEECH BY THE PORTUGUESE PRIME MINISTER

DR MARIO SOARES

AT THE DINNER HOSTED BY THE PRIME MINISTER

MRS MARGARET THATCHER

London, 10 Downing Street, the 21st of November, 1984

(Free Translation)

Prime Minister,

I would like to begin by thanking you for the warm welcome extended to my wife, my delegation and to myself. It is for me a great pleasure to be in London following your invitation to visit officially the United Kingdom in the course of this year. Please allow me to recall the success of your visit to Portugal and how it contributed to emphasise the vitality of the Anglo-Portuguese friendship which we would like to see translated into new initiatives.

Prime Minister,

In our talks we have always been in agreement about the main issues of international politics and the means of solving the major problems that threaten peace and security in the world. The similarity of our foreign policies stems from the deep and ancient bounds that unite our two countries. The Alliance between the United Kingdom and Portugal, the oldest bilateral Alliance in force in the world, enshrines the cultural and geo-political affinity that throughout history has brought our people together in a way possibly without parallel in Europe. The ties between our two countries, reinforced by our membership of NATO for 35 years, will soon be strengthened by Portugal's accession to the EEC. This event will be a major step in the democratization process of Portugal which was implemented with considerable effort and during a time of great difficulties, but always guided by the high ideals of freedom, social justice and respect for human rights. Portugal's accession to the EEC strengthens the European option of my country and the democratic system established in

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1974. It will also be, allow me to say so, a non negligible enrichment for Europe because it will mean an enlargement of the ideal of European unity. The Community can not forsake its privileged position and the knowledge and experience gained for centuries by its members. For that reason the enlargement of the EEC is a factor of mutual enrichment which will benefit the Community on the whole. I am aware that the British Government has always held the same point of view. I therefore avail myself of the opportunity to express my thanks for the support of the British Government in this matter. The "constat d'accord", signed in Dublin on the 25th of October 1984, recognising the irreversible nature of our accession was a very important step in the process started in 1977. I am proud of being personally linked with the two most meaningful moments of Portugal's accession to the EEC: the application for membership of the Communities and the signing of the "constat d'accord", both of which took place during my term of office.

Prime Minister,

The pursuit of the European ideal in which we both believe goes beyond its purely economic dimension. It will lead to the reinforcement and the enlargement of Europe's role in the search for peace and international security. Conditions will thus be created for a more efficient and balanced cooperation between Europe and the United States which both of us consider essential. A united Europe will also have a fundamental role to fulfill in the correction of the serious economic and social imbalances which grieve vast areas in the world.

The overseas expansion of our two countries and the contacts we always maintained with other cultures and civilizations

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brought us together and led us to have interests and responsibilities in the same areas. For our part, Portugal maintains close links of friendship with the Portuguese speaking countries of Africa, to which we feel bound by a common spiritual and cultural heritage. It was thus natural for the Portuguese Government to show its determination in contributing to solve the problems which have arisen in Southern Africa, and make available its experience for mutually agreed solutions which may satisfy the interests of the countries and of the populations concerned. In this spirit, the Portuguese Government was pleased with the way in which the issue of Hong-Kong's future was resolved. It sets an example of how two great countries can solve in a peaceful and constructive way questions of the greatest complexity.

The optimism with which we face the evolution of the world scene is, however, tarnished by the regrettable recurrence of acts of violence and terrorism. A few weeks ago we met in New Dehli to pay homage to a great world leader, victim of hatred and intolerance which should have no place in contemporary society.

Less than two months ago, you and your Government were the victims of an intolerable outrage, which Portugal utterly condemned. We must put an end to this escalation of violence. As you so rightly have said, acts of this nature, when aimed against freely elected Governments, are an attack against democracy itself. We must, therefore, not only condemn but most of all act together, firmly and with determination, against all attacks on the free and tolerant societies in which we wish to live.

In this area, as in all other areas of international relationship, the agreement between the United Kingdom and Portugal is indeed considerable. Our centuries old friendship is not only a bequest from the past. It is, on the contrary, the solid foundation for a continuing and even closer cooperation that will enable us to face together the challenges of the future. Among these challenges I would like to underline the development of new

technologies, which should be used to consolidate the freedom and the moral and material welfare of all peoples.

Prime Minister,

Portugal and the United Kingdom have in common a long and fruitful experience in the field of trade that we would like to broaden and intensify. At a time of economic recovery in Portugal any contribution from the United Kingdom - through its businessmen and official institutions - will be welcomed either to promote Portuguese products in the British market, where some of them have a long established position, or to encourage British investment in Portugal. Our country offers favourable conditions to foreign investment. Non-European investors are already taking advantage of them. The fact that my delegation includes experts in the areas of external trade and finance in Portugal is an indication of our will to intensify the Anglo-Portuguese cooperation in those fields.

Prime Minister,

I would like to end by referring to the announced visit of Her Majesty the Queen to Portugal. Her Majesty's visit gives rise to sincere joy amidst the Portuguese people and will be a high point in the history of our multi-secular relationship.



HER MAJESTY'S GOVERNMENT IN THE
UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND

Visit of
His Excellency
the Prime Minister
of the Republic of Portugal
and Senhora Soares

20 to 23 NOVEMBER 1984

His Excellency Dr. Mário Soares, Prime Minister of the Republic of Portugal,
and Senhora Soares will be accompanied by:

Her Excellency Senhora Raquel Ferreira,
Minister of State for External Trade

His Excellency Dr. Antonio Marta,
President of the Commission for European Integration

Senhor Rogerio Martins,
Member of Parliament for the Social Democratic Party and Member of the
Political Commission of the Social Democratic Party

Professor Freitas do Amaral,
Professor of Faculty of Law (Lisbon)

Senhora Freitas do Amaral

Dr. Rui Vilar,
Deputy Governor of the Bank of Portugal

Senhor João Uva de Matos Proença,
Political Director, Ministry of Foreign Affairs

Senhor João Nunes Barata,
Diplomatic Adviser to the Prime Minister

Senhor Carneiro Jacinto,
Press Adviser to the Prime Minister

In attendance:

Group Captain Anthony O'Neill } *Government Hospitality*
Mrs. Eleanora Paterson }

*The Prime Minister of the Republic of Portugal, Senhora Soares, Senhor Barata
and Senhor Jacinto will stay at the Residence of His Excellency the Ambassador
of the Republic of Portugal, 12 Belgrave Square, S.W.1. The remainder of the
delegation will stay at the Sheraton Park Tower, 101 Knightsbridge, S.W.1*

Programme

TUESDAY, 20 NOVEMBER

1240 hrs Arrive London Heathrow Airport by Flight TP 450 from Lisbon
Hounslow Suite

Met by the Secretary of State for the Home Department,
The Rt. Hon. Leon Brittan, M.P.

1255 Leave the Airport by car
(approx)

1335 Arrive Residence of His Excellency the Ambassador of
(approx) the Republic of Portugal
12 Belgrave Square, S.W.1

1730 Private engagement
Ambassador's Residence

1830 Meeting with Representatives of the Portuguese Community
Ambassador's Residence

2000 Dinner given by His Excellency the Prime Minister of the
for Republic of Portugal and Senhora Soares
2015 *Ambassador's Residence*
Dress: Black Tie

WEDNESDAY, 21 NOVEMBER

(See pages 7 and 8 for programme for Senhora Soares)

- 0945 hrs Leave the Residence
- 1000 Arrive Tate Gallery
Millbank, S.W.1
- Met by the Director,
Mr. Alan Bowness
and the Curator in charge of the Education Department,
Mr. Simon Wilson
- View selection of Modern paintings
- 1045 Leave Tate Gallery
- 1100 Arrive King's College
Strand, W.C.2
- Met by the Principal,
The Lord Cameron of Balhousie
and the Camoes Professor of Portuguese and Head of the
Department of Portuguese and Brazilian Studies,
Professor Helder Macedo
- Discussion and tour of King's College
- 1145 Leave King's College
- 1200 Arrive at the Residence
- 1230 Leave the Residence
- 1235 Arrive Buckingham Palace
Kings' Entrance via North Centre Gate
- 1240 Audience of Her Majesty The Queen
- 1300 Leave Buckingham Palace

Continued on next page

WEDNESDAY, 21 NOVEMBER (Contd.)

- 1345 hrs Arrive The Portman Hotel
Portman Square, W.1
- Met by His Excellency the Ambassador of
the Republic of Portugal
- Luncheon given by the Portuguese Chamber of
Commerce and Industry
Host: The President,
His Excellency the Ambassador of
the Republic of Portugal
- 1500 Leave The Portman Hotel
- 1525 Arrive Bank of England
Bullion Entrance, Lothbury, E.C.2
- 1530 Meeting with the Deputy Governor,
Mr. C. W. McMahan
- 1605 Leave Bank of England
- 1610 Arrive Mansion House
Walbrook Entrance
- Received by the Rt. Hon. the Lord Mayor of London
- 1615 (approx) Meeting with the Chairman, British Invisible Exports Council,
The Lord Limerick
The Deputy Chairman,
Mr. J. Dundas Hamilton
and the Chairman, European Sub-Committee,
The Lord Greenhill of Harrow
South Drawing Room
- 1700 Leave Mansion House
- 1725 Arrive at the Residence
- 1830 Leave the Residence

Continued on next page

WEDNESDAY, 21 NOVEMBER (Contd.)

1845 hrs Arrive 10 Downing Street

Talks with the Prime Minister,
The Rt. Hon. Margaret Thatcher, M.P.

1945 Dinner given by Her Majesty's Government
for Hosts: The Prime Minister
2000 and Mr. Denis Thatcher
Dress: Black Tie

PROGRAMME FOR SENHORA SOARES

WEDNESDAY, 21 NOVEMBER

*Programme for the morning as for
His Excellency the Prime Minister*

1230 hrs Leave the Residence

1235 Arrive Buckingham Palace
Kings' Entrance via North Centre Gate

1240 Audience of Her Majesty The Queen

1300 Leave Buckingham Palace

1305 Arrive 1 Carlton Gardens

1300 Luncheon given by Her Majesty's Government
for Host: Lady Howe
1315

1430 Leave 1 Carlton Gardens

1445 Arrive Hospital for Sick Children
Main Entrance, Great Ormond Street, W.C.1

*Met by the Chairman of the Board of Governors,
Mrs. C. Bond
The Chairman of the Special Trustees,
Mrs. A. Callaghan
The House Governor,
Mr. P. Cooper
and the Chief Nursing Officer,
Miss B. Barchard*

*Tour of the Hospital for Sick Children including a visit to the
Paul Sandifer Day Centre for Physically Handicapped Children*

1615 Leave Hospital for Sick Children

Continued on next page

PROGRAMME FOR SENHORA SOARES

WEDNESDAY, 21 NOVEMBER (Contd.)

- 1630 hrs Arrive National Theatre
Main Entrance, South Bank, S.E.1
- Met by the Associate Producer,
Mr. John Faulkner
and the Theatre Manager,
Miss J. Trelvelick
- Tour of National Theatre
- 1730 Leave National Theatre
- 1750 Arrive at the Residence
- 1940 Leave the Residence
- 1950 Arrive 10 Downing Street
- 1945 Dinner given by Her Majesty's Government
for Hosts: The Prime Minister
2000 and Mr. Denis Thatcher

THURSDAY, 22 NOVEMBER

(See pages 12 and 13 for programme for Senhora Soares)

- 0830 hrs Leave the Residence
- 0855 Arrive H.M. Tower of London
West Gate
- Proceed to the Jewel House
- Met by the Resident Governor and
Keeper of the Jewel House
and Mrs. MacLellan
- Visit the Jewel House
- 0930 Visit The Queen's House
(approx)
- Refreshments with the Resident Governor and
Keeper of the Jewel House
and Mrs. MacLellan
Historic Council Chamber
- 0955 Leave H.M. Tower of London
East Gate
- 1000 Arrive Mansion House
Walbrook Entrance
- Call on the Rt. Hon. the Lord Mayor of London
- 1035 Leave Mansion House
- 1040 Arrive Stock Exchange
Main Entrance, Old Broad Street, E.C.2
- Met by the Deputy Chairman,
Mr. Graham Ross Russell
- Visit Trading Floor
- 1155 Leave Stock Exchange

Continued on next page

THURSDAY, 22 NOVEMBER (Contd.)

- 1200 hrs Arrive Lloyd's of London
Lime Street, E.C.3
- Met by the Chairman,
Mr. Peter Miller
- Visit the Underwriting Room
- 1300 Luncheon given by Lloyd's of London
Host: The Chairman,
Mr. Peter Miller
The Captain's Room
- 1430 Leave Lloyd's of London
- 1455 Arrive House of Commons
Members' Entrance
- Met by the Rt. Hon. James Callaghan, M.P.
- 1515 Attend Prime Minister's Question Time
Distinguished Strangers' Gallery
- 1535 Meeting with the Rt. Hon. James Callaghan, M.P.
(approx)
- 1600 Meeting with the Leader of the Social Democratic Party,
The Rt. Hon. Dr. David Owen, M.P.
Jubilee Room
- 1615 Meeting with the Leader of the Liberal Party,
The Rt. Hon. David Steel, M.P.
Jubilee Room
- 1630 Meeting with the Deputy Leader of the Labour Party,
The Rt. Hon. Roy Hattersley, M.P.
Jubilee Room
- 1650 Leave House of Commons
- 1705 Arrive at the Residence

Continued on next page

THURSDAY, 22 NOVEMBER (Contd.)

- 1700 hrs Reception given by His Excellency the Prime Minister of
to the Republic of Portugal for Diplomatic Press Correspondents
1815
- 1855 Leave the Residence
- 1915 Arrive Royal Opera House
Royal Box Entrance, Floral Street
- 1930 Attend a performance of "Raymonda Act III:
Young Apollo: Elite Syncopations"
Hosts: The Lord President of the Council
and the Viscountess Whitelaw
Dress: Black Tie
- Supper afterwards at 1 Carlton Gardens, S.W.1

PROGRAMME FOR SENHORA SOARES

THURSDAY, 22 NOVEMBER

0830 hrs *Leave the Residence*

0855 *Arrive H.M. Tower of London
West Gate*

Programme as for His Excellency the Prime Minister

0955 *Leave H.M. Tower of London*

1130 *Arrive Blenheim Palace
Main Entrance, Woodstock, Oxfordshire*

*Met by the Chief Administrator,
Mr. P. F. D. Duffie*

Tour of Blenheim Palace

1235 *Leave Blenheim Palace*

1240 *Arrive Bear Hotel and Restaurant
Park Street, Woodstock*

Luncheon

1405 *Leave Bear Hotel and Restaurant*

1430 *Arrive Burford School
Cheltenham Road, Burford, Oxfordshire*

*Met by the Headmaster,
Mr. D. Glover
The Vice-Chairman of the Oxfordshire Education
Committee and Chairman of the Schools Sub-Committee,
Councillor Mrs. M. Randolph
The Senior Education Officer for Secondary Education,
Oxfordshire,
Mr. D. J. Church
and H.M. Inspector of Schools,
Mr. R. B. Chalmers*

Tour of Burford School

Continued on next page

PROGRAMME FOR SENHORA SOARES

THURSDAY, 22 NOVEMBER (Contd.)

1600 hrs *Leave Burford School*

1745 *Arrive at the Residence*

1855 *Leave the Residence*

1915 *Arrive Royal Opera House
Royal Box Entrance, Floral Street*

*Programme for the evening as for
His Excellency the Prime Minister*

FRIDAY, 23 NOVEMBER

0930 hrs Breakfast with Portuguese Press Representatives
Ambassador's Residence

No official engagements for the remainder of the day

1950 Leave the Residence

2040 Arrive London Heathrow Airport
Hounslow Suite

2105 Board Flight TP 455 departing at 2125 hours for Lisbon

The Special Representative of the Secretary of State for
Foreign and Commonwealth Affairs,
Sir David Muirhead,
will bid farewell

DIRECTORY

Government Hospitality
2 Carlton Gardens, S.W.1

01-214 8142

Foreign and Commonwealth Office
Protocol Department
Southern European Department

01-273 3582

01-233 7764

Portuguese Embassy
11 Belgrave Square, S.W.1

01-235 5331

Ambassador's Residence
12 Belgrave Square, S.W.1

01-235 3688

London Heathrow Airport
Hounslow Suite

01-745 4337

Sheraton Park Tower
101 Knightsbridge, S.W.1

01-235 8050

Tate Gallery
Millbank, S.W.1

01-821 1313

King's College
Strand, W.C.2

01-836 5454

The Portman Hotel
Portman Square, W.1

01-486 5844

Bank of England
Threadneedle Street, E.C.2

01-601 4444

British Invisible Exports Council
14 Austin Friars, E.C.2

01-628 3161

10 Downing Street

01-233 3000
and ask for 10 Downing Street

1 Carlton Gardens, S.W.1

01-214 6352

Continued on next page

DIRECTORY (Contd.)

<i>Hospital for Sick Children</i> Great Ormond Street, W.C.1	01-405 9200
<i>National Theatre</i> South Bank, S.E. 1	01-928 2033
<i>H.M. Tower of London</i>	01-709 0765
<i>Mansion House</i>	01-626 2500
<i>Stock Exchange</i> Old Broad Street, E.C.2	01-588 2355
<i>Lloyd's of London</i> Lime Street, E.C.3	01-623 7100
<i>House of Commons</i>	01-219 3000
<i>Royal Opera House</i>	01-240 1200
<i>Blenheim Palace</i> Woodstock, Oxfordshire	0993 811325
<i>Bear Hotel and Restaurant</i> Park Street, Woodstock, Oxfordshire	0993 811511
<i>Burford School</i> Cheltenham Road, Burford, Oxfordshire	099 382 3304

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Foreign and Commonwealth Office

London SW1A 2AH

16 November, 1984

Dear Charles,

Visit of the Portuguese Prime Minister

I enclose ^{*}briefing for the Prime Minister's meeting with Dr Soares at 6.45 pm on 21 November.

Many thanks for agreeing to the increase in the Portuguese presence at the talks. We shall arrange FCO participation as indicated in your letter of 15 November. I imagine you would agree that Her Majesty's Ambassador at Lisbon, Mr Hugh Byatt, who has returned for the visit, should also attend.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

** BRIEFING in FOLDER
AT BACK OF FILE.*

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MEETING WITH DR SOARES

1. Invite him to speak on internal situation in Portugal. Complément on substantial improvement in the economy.
2. Enlargement clearly the major preoccupation. Negotiations made very difficult by southern member states particularly Italy.
3. Do our best to help over products of interest to Portugal - processed sardines, tomato paste and port. Done our best on ACP sugar: but up to Portuguese themselves to push for more.
4. Cannot on any account agree to re-open textile chapter. Any attempt by Portugal to do so would automatically forfeit our general support for her specific interests in the negotiations.
5. Southern Africa: Angola/Mozambique
6. Bilateral Trade: Barclays. ICL.
7. Compensation cases: remaining three should be settled quickly.

PRIME MINISTER

MEETING WITH DR SOARES

He is coming tomorrow for talks at 1845, immediately before your dinner for him.

He is bringing quite a large delegation: Senhora Ferreira, Minister of State for External Trade; Dr Marta, President of the Commission for European Integration; the Portuguese Ambassador and two officials.

You will be supported by Geoffrey Howe, Paul Channon, David Williamson ~~and~~ Derek Thomas & HM Ambassador, Lisbon .

In view of the numbers I suggest the Cabinet Room.

Other points in his programme are visits to the Tate, to Lloyds, and to Kings College, London; an audience with The Queen; PM's Questions on Thursday; and Covent Garden.

I attach briefs and a card, together with your after dinner toast notes.

cdp

20 November 1984

PRIME MINISTER'S MEETING WITH PORTUGUESE PRIME MINISTER: 21 NOVEMBER

STEERING BRIEF

Introduction

1. Dr Soares' visit is in response to the Prime Minister's invitation made in Portugal in April.

2. A record of the Prime Minister's last meeting with Dr Soares is at Annex A. Since then high level contacts have been maintained by meetings between Sir Geoffrey Howe and Dr Gama, Portuguese Foreign Minister, in New York in September and in London on 8 November. The Queen and The Duke of Edinburgh are visiting Portugal from 25-29 March.

3. British Objectives

- (a) to return Dr Soares' hospitality and ensure him of our continued interest in Anglo/Portuguese friendship;
- (b) to reaffirm our support for Portuguese accession to the EC;
- (c) to improve trade.

4. Portuguese Objectives are likely to include:

- (a) to gain favourable publicity promoting Dr Soares' probable candidature for the Presidential elections;
- (b) to enlist British support to avoid no delay in accession to the EC.

Background

5. Accession to the EC and next year's presidential elections dominate the political scene in Portugal. Growing disenchantment over/

over the slow pace of the accession negotiations was largely relieved by the signature in Dublin of the 24 October agreement confirming 1 January 1986 as Portugal's accession date. But difficulties remain over fisheries, sugar, wine and tomato products. Linkage of Portugal's accession with that of Spain is, as ever, a sensitive area.

6. Presidential elections are due in October 1985. President Eanes is barred by the Constitution from standing again but he is still the most influential and respected figure in Portugal and his influence is likely to affect the campaign. Soares is almost certain to run. But, although with Eanes he is a major figure within and outside Portugal and his leadership of the Socialist Party is unchallenged, he risks being squeezed between a pro-Eanes candidate on the right and a candidate to the left of his own moderate position. The election is on French lines with the two most successful candidates contesting a second round. Accordingly he will use every opportunity to promote himself. He claims credit for the signing of the Dublin agreement on enlargement. He wants his visit to London as widely publicised in Portugal as possible.

7. On the economy, the economic austerity measures introduced last year have been maintained. These, and IMF help, have led to substantial improvements, particularly in external trade. The current account deficit was halved in 1983 and will be close to the \$1.25 billion target in 1984. Confidence has been re-established in international capital markets. Imports are down 8-10% in 1984 compared to last year, and exports are up 16-18%. But despite a large decline in real wages, inflation remains high at around 30% and recorded unemployment has risen to 10½%. The 1985 budget is soon to be unveiled, when the size of the budget deficit is likely to cause the Government some embarrassment. Soares may be tempted to reflate early for electoral reasons.

Tactics/

Tactics and the course of the meeting

8. There will be no fixed agenda for the talks. But enlargement (separate brief attached) is likely to be uppermost in Soares' mind. He will expect to have our support but will leave detailed discussions to those accompanying him. The Prime Minister could congratulate Dr Soares on signature of the Constat d'Accord and reassure him we are doing our utmost to complete the accession negotiations; but any attempt by Portugal to reopen post accession textile arrangements would lead to delays.

9. The Portuguese will expect their feelings for Anglo/Portuguese friendship to be warmly reciprocated. Soares could be asked about developments in Portugal and would undoubtedly welcome a general discussion about current international issues. He is likely to refer to events in Southern Africa where Portugal's experience and expertise have been useful to us, and to the future of Macao. We should mention bilateral trade especially Portugal's nuclear programme, Barclays Bank application to operate and ICL's bid to supply a computer system. On defence matters we remain committed to giving limited assistance to the frigate programme if it materialises. While we favour Spain's full integration into NATO, we are conscious of Portuguese misgivings on this score.

10. There are no serious bilateral problems but it is important to mention three outstanding cases of compensation for properties seized after the 1974 revolution.

11. The Prime Minister might thank Dr Soares for Portugal's continued abstention on the Falklands vote at the United Nations.

12. Detailed briefing is attached.



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VISIT BY PORTUGUESE PRIME MINISTER, 20-23 NOVEMBER

PORTUGUESE ACCESSION

POINTS TO MAKE

1. Congratulations on Constat d'accord. Statement should give necessary impetus to negotiations with Community and must greatly reassure Portuguese.

2. Community working hard to conclude by turn of year to meet 1 January 1986 accession deadline

- Two Foreign Affairs Councils a month since September and third November Ministerial on 20 November to prepare for major negotiating Conference with Portugal (and Spain) on 26/28 November.

- Tight timetable which needs real effort on all sides.

3. Recognise importance for Portugal of improved access for processed sardines, tomato concentrate and port.

- Will continue to argue the Portuguese case.

- But products very sensitive for some member states.

[Italians]

4. UK has also fought hard battle to secure raw cane sugar quota from ACP for Portuguese.

- EC offer (reduced levy quota of 70,000 tonnes) may

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fall short of Portuguese expectations (300,000 tonnes).

- Best we could secure.
 - Negotiations not yet concluded.
 - Portuguese should insist on better deal.
-

Textiles (if necessary)

5. - Agreement on 1984 VRA levels generous to Portugal and very difficult for UK.

- Portuguese agreement to restrain two categories outside VRA was important for us.

- vital that Portugal now sticks rigidly to terms agreed - UK's past experience unfortunate.

6. (If Soares hints that Portugal may reopen textiles chapter in accession negotiations).

- Closed 1½ years ago, with great difficulty.

- Outcome much criticised by UK and no doubt by Portuguese textile industry.

- Reopening discussions on so sensitive a dossier could only lead to major delays in accession negotiations.

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PRIME MINISTER'S MEETING WITH PORTUGUESE PRIME MINISTER: 21 NOVEMBER

POINTS TO MAKE

Southern Africa: Mozambique

1. Important that Nkomati Accord (signed March) should succeed. Progress disappointingly slow. Renamo activities have intensified. Seems that private supplies of arms still reaching them.

[Prime Minister
You will recall that
Machel raised with you
the support which Renamo
receive from some 'circles' in
Portugal.]

2. Right that South Africa should be ready to take the lead in search for settlement. Western countries should support these efforts. Machel stressed this to me in New Delhi on 3 November. Sir G Howe valued his discussion with Dr Gama on 8 November: Portuguese experience and contacts useful. Hope you can favourably influence white Renamo leaders.

Angola (if raised)UNITA

3. UNITA military successes increasing; closer to Luanda itself. Soviet Union still seems prepared to help keep MPLA in power. Neither side yet capable of outright victory.

Implications for Namibia settlement

4. UNITA threat a major inhibition on Angolan agreement to early Cuban troop withdrawal at least from North Angola.

MPLA/UNITA reconciliation

5. Savimbi anxious to fight his way into a government of national unity before Namibian independence. But Dos Santos still seems unwilling to negotiate at this stage, and possibly not until after South African withdrawal from Namibia.

Hong Kong/Macao/

Hong Kong/Macao

6. Draft agreement on future of Hong Kong initialled on 26 September. People of Hong Kong have been expressing their views to Assessment Office. Reports of Assessment Office and independent Monitoring Team will be published at end of November. Parliament will debate agreement in light of these reports at beginning of December. If Parliament approves I will sign agreement in Peking before end of year.

7. A good agreement. Provides satisfactory guarantees for the future of the territory. Believe it will ensure Hong Kong's continued stability, prosperity and way of life. Reaction in Hong Kong and internationally to agreement encouraging.

8. Appreciate that you see Macao's circumstances as being quite different from those of Hong Kong. Do you expect Chinese to seek to resolve question of Macao in the near future?

Bilateral Trade

6. Climate for increasing trade will improve further with Portuguese accession to EC. UK can help Portugal face increased competition especially over energy conservation, nuclear power, agriculture and food processing, pollution control, micro-computers, electronics. Our investments have grown. Hope that last minute difficulties being experienced by Wiggins Teape and RTZ can be resolved. These together represent investment of £100 million.

Nuclear Power

7. What are your plans over nuclear programme? Keen to cooperate in development. UK has great experience of different reactor systems and working with foreign reactor suppliers.

Barclays Bank

8. Disappointed that Barclays Bank International not chosen in



first round of banking licence awards in August. Hope that they will be chosen in next round end 1984 or early next year.

ICL

9. Bidding to supply computer system for introduction of VAT. This system well proved in use.

Defence

Frigates (If raised)

10. Our £5 million contribution to frigates programme (linked to British equipment) exceptional measure. If German frigate design chosen, offer still stands.

Spain/Gibraltar/NATO (If raised)

11. Favour full integration of Spain into military structure of NATO. Note your concerns especially about IBERLANT. Command boundary changes would be for discussion by Alliance as a whole. Sure your concerns can be met. Could not contemplate subordination of Gibraltar to Spanish NATO Commander unless restrictions lifted.

Cooperation

12. Grateful for use of Portuguese training facilities. Pleased we can have Portuguese officers on training courses in UK.

Compensation

13. Three cases remain of properties expropriated as a result of the 1974 revolution not having been returned to their British owners. Grateful for progress already made. Hope that remaining questions can be quickly resolved.

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ESSENTIAL FACTS

General

1. Dr Soares' grasp of Portuguese Accession is political and very broad brush. He invested considerable personal capital in securing Constat d'accord or Joint Statement which he signed with Taoiseach and Commission in Dublin on 24 October. (Copy attached). Confirmed the 1 January 1986 accession date for Spain as well as explicitly for Portugal; no juridical and little practical value.

Progress in negotiations

2. Because Community is now tackling most difficult dossiers, pace of work intense but progress very slow. After three failures to agree, Foreign Affairs Council on 23 October finally unblocked a mini-package including for Portugal olive oil, social affairs and ACP sugar (where we fought a hard battle on Portugal's behalf - our interest lies in ensuring a sufficient supply of raw cane sugar for Portuguese refiners so that no supplies are diverted to meet Portugal's needs from British refiners).

- Last special FAC on enlargement on 12/13 November made no progress; Ministers meet again on 20 November to continue preparations on (for Portugal) Fisheries

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and Agriculture for next week's negotiating Conference.

Fisheries

3. The main fishing nations (UK, FRG, Denmark, France and Ireland) insist on tough terms on access to waters and resources; the Portuguese will not object as they share our interest in controlling the Spanish fleet.

- However, the Portuguese are acutely sensitive about being used as a stalking horse for Spain and criticise continued Community inability to finalise fisheries with them until the position with Spain is clearer.

- Despite UK efforts, Italy and France refuse improvements in access for Portuguese canned sardines; we are unlikely to persist if concessions to Italy will help our interests on access.

Agriculture

4. Progress slow because of late Portuguese requests. Italians blocking concessions on port wine and tomato paste which we support.

- Portugal also wants balance of payments compensation in the context of agricultural transition. Portugal is a large cereal importers (from the US); EC imports will be expensive while EC levies will be

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imposed on US imports. Even with Portuguese retention of EC levies and duties on many agricultural imports in first stage of transition, there could still be substantial net additional cost to Portugal.

- We argue that financial implications of agricultural transition for Portugal should be considered together in the context of own resources chapter when all data is available and it is possible to assess her overall financial situation and likely budget contribution.

Textiles

5. 1983 Portuguese exports to EC were 132,200 tonnes. UK share 57,200 tonnes (43%). Portuguese exports to UK of categories 12 and 13 (socks and knickers) not covered by the Voluntary Restraint Arrangement:

<u>January-September 1983</u>	<u>January-September 1984</u>
Category 12	
9.2 million pairs	11.3 million pairs = 22% increase
Category 13	
8.1 million pairs	15.2 million pairs = 86% increase

6. In response to Portuguese demands for 1984 access levels exceeding those set down in Voluntary Restraint Arrangement, Commission reached compromise agreement

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which all Member States accepted. UK only reluctantly agreed - given recent alarming increase in Portuguese exports to UK of categories 12 and 13 on which UK manufacturers pressing for safeguard action - in return for Portuguese agreement to acceptable arrangements for remainder of 1984 on both categories and to consultations early next year on 1985 levels for same.

7. Portuguese also have been hinting that they would like to reopen textiles chapter of accession negotiations agreed after long and hard negotiations in May 1982. Agreement then on,

- a 3/4 years transition (fourth year at request of a member state),
- textiles limited to set growth rates in certain categories,
- statistical surveillance.

We would not be prepared to make any concessions (as the Prime minister told Dr Soares during her visit to Portugal). If Soares mentions this, he should be sat on firmly.

ECD(E)

16.11.84

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JOINT STATEMENT

On 28 March 1977 the Portuguese Government submitted a formal request that Portugal be admitted to full membership of the European Communities.

On 6 June 1978 the Council of Ministers of the European Economic Community gave a unanimously favourable reply to the Portuguese request. That decision implemented the call by the founding members, in the preamble to the Treaty establishing the European Economic Community, for other European nations which shared their ideal to join them in the common effort to defend peace and freedom.

Both sides recognized that enlargement would reinforce the political unity of Europe, increase its influence in the world and bring about the economic and social development which Portugal so rightly desires.

2. The negotiations in preparation for Portugal's accession to the Communities began on 17 October 1978. Being aware of the level of economic and social development in Portugal and of the need to safeguard the Community's capacity for internal and external development, the negotiators had and will have to seek the most appropriate solutions to all the problems arising in the context of the balanced and harmonious integration of Portugal into the Community.
3. Both the Community and Portugal are now in a position to state that there is agreement on a large number of chapters in the negotiations. As regards certain major chapters still under discussion the two parties are determined to reach mutually satisfactory negotiated conclusions in the very near future.

This situation and the political will expressed by both sides for enlargement on the Community's side makes it possible to confirm the irreversibility of the process of Portuguese integration in the European Communities.

Without prejudice to the powers of the national parliaments the firm objective is that the future enlargement of the Community should become reality on 1 January 1986, a date whose political and economic significance has been fully recognized.

ESSENTIAL FACTS

Southern Africa - Mozambique

Political

1. Machel probably expected to take about 2 years to master Renamo. But marked increase in Renamo operations since Nkomati disappointing. Arms probably still reaching them from private sources eg in Portugal and South Africa but Governments not involved. South Africa arranged tripartite proximity negotiations (South Africa, Mozambique, Renamo) leading to the Pretoria Declaration of 3 October, which provides a framework for a ceasefire.

2. Machel has offered amnesty and re-integration of Renamo members in Mozambican society; Renamo are demanding half the Cabinet posts and the "democratization" of Mozambique. After last talks Renamo announced that they were breaking off discussions and would launch a major new offensive.

Portugal/Renamo

3. South Africans and Mozamicans claim that Deputy Prime Minister Mota Pinto interalia has been exercising an unhelpful influence on Renamo. Portuguese subsequently denied involvement with Renamo and reaffirmed support for Nkomati.

4. Sr Gama told HMA Lisbon on 6 November that the problem must be solved by Frelimo, Renamo and South Africa. Sr Gama told Secretary of State on 8 November they would look at the legal aspects but it was difficult to take steps against Portuguese Renamo members who did not break the law.

5. Machel raised Portuguese influence on Renamo with the Prime Minister on 3 November in New Delhi. He claimed that the rebels were being sustained from Portugal, not by Portuguese Government, but by former colonists. He hoped Prime Minister would help to deter such support.

Dr Soares' /

Dr Soares' visit to Mozambique, September 1984

6. Dr Soares (accompanied by Gama) visited Mozambique 31 August-4 September 1984. The public tone of the visit was cool, although the question of Portugal's influence on Renamo was played down.

Angola

Internal

7. Dos Santos seems well in control. Hand strengthened by dismissal in October of Paulo Jorge, Foreign Minister since 1976. Likely reason is his opposition to Dos Santos' acceptance of linkage between Cuban troop withdrawal and Namibia settlement.

UNITA

8. UNITA goal to force talks on national reconciliation. Have steadily increased military activities to include attacks around Luanda itself.

MPLA/UNITA reconciliation

9. Angolan Government have so far set their face firmly against negotiations with UNITA. Dos Santos will first wish to see UNITA's military strength lessened and the present large flow of South African arms curtailed.

Hong Kong/Macao

10. Prime Minister is aware of the background to the Hong Kong agreement.

11. Portuguese have always emphasised that the circumstances of Macau are very different from those of Hong Kong. Macau is not held by treaty or lease. Portuguese Constitution only claims that administration belongs to Portugal, leaving the fact that sovereignty lies with China unsaid.

12. Chinese President and Foreign Minister have recently paid a visit to Portugal. We understand that Chinese made it clear before visit that the question of Macau would not be raised. Chinese have told us that the question of Macau will be resolved along the same lines as Hong Kong, but appear to be in no hurry to raise the subject with the Portuguese.

Trade

13. Bilateral trade balance turned round in Portugal's favour in 1983 (UK exports £397m, imports £476m). Figures available for 1984 show this trend continuing. Main reasons for this are probably the poor state of the Portuguese economy and low priority given to market by many UK manufacturers.

14. But prospects look better; investments have grown. Austin Rover has increased shareholding in Leyland Portugal from 20% to 95%; Tate and Lyle have taken control of Sidul, a sugar refinery. Rio Tinto Zinc have in principle negotiated purchase of 49% of Somincar copper mine; Wiggins Teape are buying 45% of Soporcel, a major woodpulp plant. But there are some delays in completing the latter two cases.

15. Accession will result in increased funding becoming available from the Community. Trade promotion is being stepped up. This will include the use of HM yacht "Britannia" during the Royal Visit as venue for presentation of British Technology to key businessmen and ministers.

Nuclear Power

16. Portuguese ministers expected to approve shortly a national energy plan which recommends the adoption of nuclear power. First station order might be placed in 1987/88. They are believed to favour a PWR reactor but no formal decision on type will be made for some time.

17. UK's theme to officials has been our great experience in working with many reactor types. NEI Parsons and Wimpey are involved in preparing an Anglo Canadian proposal to offer a CANDU type reactor.

Barclays Bank

18. Following passing in February of new legislation to modernise the banking system, Barclays Bank International were among eight foreign banks who applied for a banking licence. Two (both American) were granted licences in August.

19. There is much competition for the next round of licences. Barclays have had a Representative Office in Lisbon since 1980, and are very keen to expand in Portugal. They have a world-wide network to offer Portuguese clients. They have asked for the Prime Ministers personal intervention with Dr Soares.

ICL

20. The company's system is more powerful and adaptable than competitor's. Uses a later generation of computer and software, proved by Customs and Excise.

DEFENCE

Frigates

21. NATO aid project to supply three modern frigates under discussion since 1979. Portuguese navy now looking at German MEKO project and are anxious to retain support of countries who have offered assistance. Our offer still stands. Other NATO allies, including USA, France, FRG and Canada, have also offered to contribute.

Spain/Gibraltar/NATO

22. Portuguese worried about effects of possible Spanish military integration into NATO on their Atlantic commands. They would not accept Portuguese forces under Spanish command in this area.

23. We are sympathetic to Portugal. Problem requires multilateral discussion in NATO if Spain shows signs of wanting to join integrated military structure.

Cooperation

24. RN ships regularly visit Portugal, and RAF frequently transits airspace and uses airfield facilities. Portuguese cooperation over this was valuable during the Falklands campaign. Small army contingents use infantry facilities at Santa Margarida.

25. Defence Policy Fund subsidises training of students in UK.

Compensation/

Compensation

26. After ten years of unkept promises the Portuguese have in the last year (perhaps stimulated by the prospects of the Prime Minister's visit last April) settled five claims from British owners for compensation arising from the expropriation of property after the 1974 revolution. Three claims remain. Herdade de Aravia has still not been returned to its owners although the law revoking its expropriation was published in July 1983. Herdade de Torre de Sepulveda and Monte da Contenda await action by two separate interministerial commissions set up to investigate these and other claims. Ambassador believes it would undermine consistent effort on claimants behalf if the Prime Minister did not raise with Dr Soares.

RECORD OF A MEETING HELD AT THE SAO BENTO RESIDENCE AT 3.30 PM
ON TUESDAY 17 APRIL 1984

Present:

Prime Minister	Dr. Mario Soares
HM Ambassador	Prof. Mota Pinto
Sir Crispin Tickell	Dr. Jaime Gama
Mr. A.J. Coles	Dr. Antonio Marta
Mr. T.J. Flesher	Ambassador Hall Themido
Mr. B. Ingham	Dr. Bernardino Gomes
Mr. A.D. Brighty	Dr. Silva Marques
	Dr. Matos Proença
	Dr. Nunes Barata
	Dra. Ana Barata

* * * * *

Dr. Soares welcomed the Prime Minister. The UK and Portugal were old allies whose friendship was real not mere rhetoric.

He began with bilateral matters. There were few real problems. Portugal hoped for more foreign investment now that they were opening the economy and unscrambling some of the post-revolutionary nationalisations. Portugal would be happy to see another British bank open in Lisbon. He also hoped that it might be possible to increase textile exports to the UK, though he recognised there would be problems. He asked whether there might also be improved access for tomato paste and sardines (and made reference to the fact that Moroccan sardines at present enjoyed greater preference).

The Prime Minister agreed that the friendship was close and steadfast, and that the two countries shared similar views of the world. She accepted Dr. Soares' proposal that the talks should avoid detailed bilateral problems, leaving these to officials and diplomatic channels. But on textiles she warned that improved access would be difficult, since ^{the UK} had already done a great deal.

Dr. Soares gave a historical perspective of Portugal's development over the centuries. The long years of dictatorship this century had let Portugal fall behind the rest of Europe,

/ and

and the country had foolishly tried to hang on to its colonies while others had decolonised. As a result, the leadership in the former colonies had been trained by the Eastern Europeans and were initially hostile to Portugal despite past ties. The speed of decolonisations also led to domestic, economic and political problems in Portugal, particularly absorbing a million refugees from Africa. Now his Government were trying to restructure Portugal within a European framework for the first time in centuries.

Dr. Soares had personally sought to put the seal on this seeking European Community membership in 1976, to reinforce the embryonic democracy. Portugal needed to change its perspective and transform its economy, all in a West European context. But the move towards the EC had gone very slowly. There had been kind words but few concrete steps.

When his present Government came to power last year, he confronted severe economic difficulties and in order to know how to direct the recovery campaign, he needed to know whether it would be within an EC context. Yet the Ten had still not yet given certainty that Portugal would join. He hoped that HMG would endorse the date of 1 January 1986 for membership, with the Accession Treaty being signed by this September.

Portugal had been bracketed with Spain, which was causing problems. He hoped that if Portugal were ready to sign its Treaty by September it might be possible for them to sign ahead of Spain so as to give psychological certainty to Accession. He said that Chancellor Kohl and President Mitterrand had already accepted this.

The Prime Minister welcomed Dr. Soares' analysis. Portugal and the UK were both outward looking peoples by history, but part of the geography and culture of Europe. It was important for democracy and stability in Western Europe that Portugal and Spain should join the EC, and the date would be 1 January 1986. She hoped that signature might be achieved this September, but warned that there might be difficulties in meeting this deadline.

Despite publicised difficulties, much progress had been made in basic reforms. EC Governments had preferred to avoid facing the problems because there was enough money to subsidise agricultural surpluses. The Community had only begun to consider reforms seriously when the money began to run out. The recent agreements on the CAP ~~only started to deal~~ ^{were only a start in dealing} with the problem of surpluses, but that was already something. On finance, she reviewed the background to the present arrangements and the change in 1970 before the enlargement of the original Six. This system now had to be changed on the basis of fairness and equity, and the system Britain now proposed would limit net contributions according to GDP per caput.

HMG's fight was to Portugal's advantage. It would be absurd for Portugal to become a net contributor as the present system would imply. And the new financial basis needed to be permanent.

On fisheries the Prime Minister recognised Portugal's problem and warned that there would need to be a hard fight to restrict access to waters off Madeira and the Azores. On agriculture she noted that long transitions were ^{many categories of} needed for Portuguese produce. HMG would do everything possible to help, whilst at the same time seeking to resolve the internal Community problems.

Looking ahead, the Prime Minister said there were three main objectives. The first was to preserve the Atlantic Alliance. Europe and North America had to stand shoulder to shoulder, and NATO was a necessary means to that end. Second, the ex-colonial powers in Europe - and Portugal and Spain would be among them - could have great influence with countries in the developing world in encouraging them towards a free society. Third, Western Europe could be influential across the East/West divide. She and Dr. Soares shared greater designs for Europe than a simple common market.

Dr. Soares thanked the Prime Minister and said he found this reassuring. He fully agreed that the great alliance was

/ that

that across the Atlantic. He invited Dr. Marta (Chairman of the European Integration Commission) to refer to points of difficulty over the EC Accession negotiations. Dr. Marta explained that the first problem was over the financial programme. Portugal would have problems in absorbing structural funds unless the Community could be flexible and understanding. Second, he noted that there was selfish opposition from within the Ten over access for Portugal's few competitive exports, such as wine, tomato paste and sardines. On fisheries he claimed that Portugal had tabled balanced proposals. Portugal had no ambition to fish in Community waters provided her present waters could be preserved. But the real problem would arise over Spanish fisheries, and the fact that Portugal's negotiations were seen in the context of the Spanish negotiation. On the social chapter, he observed that Portugal could not accept the "Luxembourg clause" whereby Portuguese workers were forbidden to change jobs for ten years.

Dr. Soares proposed the day's session be closed, thanking the Prime Minister for her contributions.

The talks ended at 4.40 p.m.

A. J. C.

18 April 1984

CONFIDENTIAL



fe vc.
c PC
Sue G.

10 DOWNING STREET

From the Private Secretary

16 November 1984

Visit of the Prime Minister of Portugal

Thank you for your letter of 15 November about the dinner for the Prime Minister of Portugal.

The Prime Minister has agreed to invite all the Portuguese delegation listed in the enclosure to your letter, including also Mrs Freitas do Amaral.

D/yp

(C.D. POWELL)

C R Budd, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

h

ccpc ①



Prime Minister

Foreign and Commonwealth Office

London SW1A 2AH

15 November 1984

Dr. Soares has decided to bring a bigger delegation to London, partly for his own political needs. He is pressing strongly for them to be invited to your dinner.

We had been planning the usual 40-guest dinner with round tables. If we agreed to Dr. Soares' request it means going up to the big horseshoe table and having 56/60.

Visit of the Portuguese Prime Minister: 20-23 November

As you know, the Prime Minister is giving a dinner in honour of Dr Soares on 21 November. I sent you a draft guest list on 16 October. — with CDP of Sue Goodchild

Agree to this? CDP 15/11

The Portuguese line at the time was that Dr Soares' party would number no more than 3 or 4. It has now increased to 8 (list attached). The enclosed copy of Lisbon telno 352 of 14 November explains the main reason why.

I fully recognise that it may be impossible at this late stage to include the extra members of the delegation in the dinner. You should however be aware that Dr Soares attaches considerable importance to having them present. He has even suggested that the wives, including his own should be excluded. Mr Byatt, our Ambassador at Lisbon, has made the same offer in respect of his own wife. While this would virtually solve the problem it would not I imagine be attractive to the Prime Minister.

Yes Mr

If you can see no way of including the extra bodies then we shall of course make other arrangements.

Yours ever,
Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

PARTY ACCOMPANYING PORTUGUESE PRIME MINISTER:
20-23 NOVEMBER 1984

- Minister of State for External Trade,
Sra Raquel Ferreira
- President of the Commission for European Integration,
Dr Antonio Marta
- Sr Rogerio Martins, Member of Political Commission of
Social Democratic Party
- Prof Freitas do Amaral, Professor of the Faculty of
Law (Lisbon)
- Dr Rui Vilar, Deputy Governor of the Bank of Portugal
- Sr Joao Uva de Matos Proenca, Political Director,
Ministry of Foreign Affairs
- Sr Joao Nunes Barata, Diplomatic Adviser to the Prime Minister
- Sr Carneiro Jacinto, Press Adviser to the Prime Minister

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FM LISBON 141430Z NOV 84
TO IMMEDIATE F CO
TELEGRAM NUMBER 352 OF 14 NOVEMBER

M I P T
VISIT OF PORTUGUESE PRIME MINISTER.

1. THE LATE INCREASE IN THE SIZE OF SOARES' PARTY REFLECTS STRAINS WITHIN THE COALITION.
2. IN A CONVERSATION WITH SOARES LAST WEEK HE SPOKE TO ME WITH GREAT FEELING ABOUT THE DIFFICULTY OF WORKING WITH THE SOCIAL DEMOCRATS (P S D) WHO TENDED TO FUNCTION AS AN OPPOSITION WITHIN THE GOVERNMENT.
3. SOARES'S PRESS ADVISER (CARNEIRO JACINTO) HAS TOLD US THAT SOARES INTENDS TO MAKE A BROADCAST TO THE NATION (POSSIBLY BEFORE HE GOES TO LONDON) APPEALING TO THE P S D TO WORK THE COALITION ACCEPTING JOINT RESPONSIBILITY FOR ECONOMIC POLICY AND REFORMS OR TO LEAVE . SOARES BELIEVES THIS SHOULD HAVE THE EFFECT OF HOLDING THE P S D SUFFICIENTLY TOGETHER UNDER MOTA PINTO'S HAZY LEADERSHIP TO PRESERVE THE COALITION INTO THE SUMMER. HE IS OF COURSE ALSO ANXIOUS TO PREVENT THE P S D SUPPORTING A JOINT (POSSIBLY MILITARY) CANDIDATE WITH THE RIGHT WING C D S WHICH HE THINKS COULD BE A SERIOUS CHALLENGE TO HIS OWN POSITION.
4. SOARES AND OTHERS IN THE P S AND P S D SEEM TO ASSUME THAT PRESIDENT EANES WILL NOT MOVE TO PROVOKE DISSOLUTION AND FRESH ELECTIONS SO LONG AS THE COALITION CAN HANG TOGETHER WITH SIXTY FIVE PERCENT OF THE VOTE. THERE IS ALSO A FEELING THAT EANES IS NOT YET READY TO LAUNCH ANY ALTERNATIVE POLITICAL MOVEMENT.
5. NONETHELESS SOARES AND OTHERS IN HIS PARTY ARE WORRIED AT THE EXTENT TO WHICH STRESSES WITH AND WITHIN THE P S D HAVE DEVELOPED RECENTLY. YESTERDAY HE TOLD ME THAT HE WANTED TO BRING A MEMBER OF THE P S D WITH HIM TO LONDON TO SHOW THE COALITION IN BEING. CHOICE HAD EVENTUALLY FALLEN ON ROGEIRO MARTINS (PERSONALITY NOTE IN

(MIFT)

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PM of Portugal: Portugal, March 1980

CONFIDENTIAL

M I F T) TO GIVE A NATIONAL FLAVOUR TO HIS DELEGATION HE HAD ALSO INVITED PROFESSOR FREITAS DO AMARAL AS SOMEONE KNOWN PREVIOUSLY TO MRS THATCHER AND FROM THE POLITICAL RIGHT. ALTHOUGH FREITAS DO AMARAL HAS TAKEN HIMSELF OUT OF CURRENT POLITICAL LIFE, SOARES CLEARLY INTENDS HIS INCLUSION AS A GESTURE TO CONSERVATIVE OPINION.

BYATT

LIMITED
SED
PROTOCOL D
PLANNING STAFF
PS
PS/LADY YOUNG
PS/MR RENTON
PS/PUS
MR DEREK THOMAS
MR JENKINS

15 NOV 1984

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JURAME
bc PC



10 DOWNING STREET

From the Private Secretary

15 November 1984

PRIME MINISTER'S TALKS WITH THE PORTUGUESE PRIME MINISTER
ON WEDNESDAY 21 NOVEMBER AT 1845 HOURS

Thank you for your letter of 14 November about the Prime Minister's talks with Dr. Soares.

We can agree to six on the Portuguese side if that is what Dr. Soares wants. On our side, I suggest the Foreign Secretary and/or Mr. Rifkind, Mr. Channon, Mr. Williamson and Mr. Thomas.

I am copying this letter to Steve Nicklen (Minister for Trade's Office) and to David Williamson.

(C.D. POWELL)

C.R. Budd, Esq.,
Foreign and Commonwealth Office.

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Foreign and Commonwealth Office

London SW1A 2AH

14 November, 1984

Dear Charles,

Visit of the Portuguese Prime Minister: 20-23 November

Dr Soares is as you know having talks with the Prime Minister at 6.45 pm on 21 November.

The Portuguese originally told us that he would be accompanied only by the Portuguese Ambassador, the Political Director at the MFA, and his diplomatic adviser. They have now however said they would like to include in their delegation Senhora Ferreira, Minister of State for External Trade, and Dr Marta, President of the Commission for European Integration (given that enlargement is certain to be one of the main themes of the talks).

That would make a Portuguese team of six. Too many?

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

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Foreign and Commonwealth Office
London SW1A 1AA



14 NOV 1984

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10 3
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FILE

207
cc: PC

10 DOWNING STREET

From the Private Secretary

14 November, 1984

VISIT OF THE PORTUGUESE PRIME MINISTER:

20-23 NOVEMBER

Thank you for your letter of 13 November asking whether the Prime Minister could see Dr. Soares on 20 November after Question Time.

The Prime Minister will have to make a statement on the Anglo-Irish consultations on 20 November and will therefore be unable to see Dr. Soares then. We shall have to stick to the arrangements already made. In the circumstances, I am sure that the Prime Minister would understand Dr. Soares' seeing Mr. Kinnock before his call on her.

(C.D. Powell)

C. Budd, Esq.,
Foreign and Commonwealth Office.

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Foreign and Commonwealth Office

London SW1A 2AH

13 November 1984

Dear Charles,

Visit of the Portuguese Prime Minister: 20-23 November

As part of Dr Soares' programme, we have arranged for him to have short meetings on the afternoon of 22 November with the leaders of the Liberal and Social Democratic parties, with the Rt Hon James Callaghan (an old friend) and with the Deputy Leader of the Labour Party.

In the normal course of events, Dr Soares would have met the Leader of the Opposition that afternoon, but Mr Kinnock leaves for Moscow on 21 November. Mr Kinnock's office have now suggested that he instead call on Dr Soares on the afternoon of 20 November.

This is manageable in terms of Dr Soares' programme, but would involve Mr Kinnock seeing Dr Soares before the Prime Minister. If you see that as problematic, a possible way out would be for the Prime Minister to see Dr Soares briefly on 20 November, say after Question Time. We know that this would greatly please the Portuguese since, while they have readily accepted the arranged programme, they have commented that it is a pity that he will not meet the Prime Minister, whose guest he is, until the day after his arrival.

We are however well aware that the Prime Minister has already amended her personal arrangements to take account of Portuguese wishes and may not want to accept further pressure on the diary. In that case I should be grateful to know if you see objection to the meeting of Mr Kinnock and Dr Soares taking place as suggested.

Yours ever,
Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

C DP

Yes Please

Told
FCO

Dr. Jaeger's visit.

I understand he is coming on 20 November, which is a Tuesday.

Are you content for the briefing to arrive the previous Friday?

If so, I will tell FCO.

Susan.

12-6



10 DOWNING STREET

From the Private Secretary

5 November, 1984.

Portugal

I enclose a copy of a letter to the Prime Minister from Sir Alistair Frame about RTZ's activities in Portugal. I am acknowledging the letter, and do not think any further reply is required. But I should be grateful if reference could be made to the project in the briefing for Dr. Soares' visit.

I am copying this letter to Colin Budd (Foreign and Commonwealth Office).

Charles Powell

Callum McCarthy, Esq.,
Department of Trade and Industry.



10 DOWNING STREET

From the Private Secretary

5 November, 1984.

The Prime Minister has asked me to thank you very much for your letter of 1 November about RTZ's activities in Portugal. She was interested to hear of your investment, and has asked for the issue to be covered in the briefing being prepared for Dr. Soares' visit.

Charles Powell

Sir Alistair Frame

000
6, ST. JAMES'S SQUARE
LONDON, SW1Y 4LD
TELEPHONE: 01-930 2399

1st November, 1984

Dear Prime Minister,
PORTUGAL

In view of Dr. Soares' forthcoming visit, I thought you should know that RTZ has acquired the "French" shareholding in a new, highly prospective, copper ore body in Southern Portugal. Our purchase price was approximately \$US90 million and the Project will cost a further \$US300 million to develop over the next three years. The output of the mine will almost certainly be sold to the smelters and refiners in the E.E.C.

We have not yet fully agreed some important points with the Portuguese, but do not anticipate any major hurdles.

Our Ambassador to Portugal, Mr. Byatt, has been kept fully informed of our activities and has been most helpful.

Yours sincerely
Philipps Evans

The Right Hon. Margaret Thatcher, M.P.,
Prime Minister and First Lord of the Treasury,
10 Downing Street,
London, S.W.1.



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 5144
GTN 215
(Switchboard) 215 7877

From the Minister for Trade

CDP
31/x

C D Powell Esq
Private Secretary to
The Prime Minister
10 Downing Street
LONDON
SW1

29 October 1984

Dear Mr Powell

VISIT BY THE PORTUGUESE PRIME MINISTER: 20-23 NOVEMBER

Thank you for your letter of *11* October, copied to Callum McCarthy.

With the uncertainty of the date of The Secretary of State for Trade and Industry's return to the Department Mr Channon in Mr Tebbit's absence will be happy to attend the Portuguese Ambassador's dinner on 20 November.

I am copying this letter to Richard Mottram (Ministry of Defence), Hugh Taylor (Home Office) and to Colin Budd (Foreign and Commonwealth Office).

Yours sincerely
Simon Carter

SIMON CARTER
Assistant Private Secretary to the
Minister for Trade (PAUL CHANNON)

Portugal : Visita de Bottegare LM 3/80



30 OCT 1984

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FILE

(6)

10 DOWNING STREET

From the Private Secretary

11 October, 1984

VISIT BY THE PORTUGUESE PRIME MINISTER

Thank you for your letter of 10 October.

The dinner for Dr. Soares will indeed begin at 2000 hrs. The talks can be brought forward a little to 1845 hrs but no earlier. I have written to encourage attendance at the Portuguese Ambassador's dinner.

(C.D. Powell)

C.R. Budd, Esq.,
Foreign and Commonwealth Office.

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RANAFIC



cc: P.C.

10 DOWNING STREET

From the Private Secretary

11 October, 1984

VISIT BY THE PORTUGUESE PRIME MINISTER: 20-23 NOVEMBER

The Prime Minister particularly wants a success to be made of Dr. Soares' visit to Britain next month. She has already gone to some lengths herself to ensure this, for instance by re-arranging her programme in order to give a dinner for Dr. Soares instead of a planned lunch, a change to which the Portuguese attached great importance. In addition the Foreign and Commonwealth Secretary will entertain Dr. Soares on 22 November.

The Prime Minister is not herself able to attend the Portuguese Ambassador's dinner for Dr. Soares nor would it be a desirable precedent for her to do so. But she is very anxious that senior colleagues should do so if at all possible. Since defence and trade are two of the main themes of our relations with Portugal she has asked me to say that she hopes very much that Mr. Heseltine and Mr. Tebbit will go to the Portuguese dinner on 20 November. She would also be extremely grateful if the Home Secretary were able to meet Dr. Soares on her behalf on his arrival on 20 November.

The Prime Minister is sorry to impose additional burdens on what she knows to be the extremely full programmes of her colleagues, but she attaches particular importance to this visit.

I am copying this letter to Callum McCarthy (Department of Trade and Industry), Hugh Taylor (Home Office) and to Colin Budd (Foreign and Commonwealth Office).

(C.D. Powell)

Richard Mottram, Esq.,
Ministry of Defence.

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Foreign and Commonwealth Office

London SW1A 2AH

10 October 1984

Dear Charles,

Visit by the Portuguese Prime Minister: 20-23 November

Thank you for your letter of 25 September about the arrangements for Dr Soares' visit. ✓

The Portuguese Ambassador is delighted that the Prime Minister is able to give a dinner for Dr Soares on 21 November. Should we assume that it will start at 2000? If so, this would allow barely an hour for the talks, which given the need for interpretation is not very long. Would there be any possibility of a start at 1830 instead of 1900?

The Ambassador will now have his dinner on 20 November (partly in order to make it possible for the Foreign Secretary to take Dr Soares to the Royal Opera House on 22 November). As the main themes of our relations with Portugal are defence and trade, we would like Mr Heseltine and Mr Tebbit to attend. We have checked that both are free and encouragement for them to be there would be very welcome.

We have also considered who is to meet Dr Soares, whom we expect to arrive on the Air Portugal flight at 1345 on 20 November. The most senior Cabinet Minister free is the Home Secretary, and encouragement for him to undertake this would also be most welcome.

*Yours ever,
Colin Budd*

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

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Portugal : Visit of Prime Minister March 1980.

FOR THE DIRECTOR GENERAL OF THE UNITED NATIONS

NEW YORK



Sub JB re wte
26/9 CD 25/9.

PRIME MINISTER

VISIT OF DR. SOARES

Thank you very much for agreeing to give a dinner instead of a lunch. You asked whether you could not attend the return dinner. I really do urge against this. Once you attend a return dinner we shall be inundated with requests for you to do this as a regular feature. It is much better to be able to rest on the position that you do not as a rule go to return dinners. Antony Acland agrees with this advice and thinks that Portuguese feelings will be fully assuaged by your offer to give a dinner and agreement to persuade sufficient of your senior colleagues to attend the return match.

CD.

25 September 1984



10 DOWNING STREET

Prime Minister

Can I not
attend the
return
dinner
as well?
no

There are two points:

① are you prepared to give Soares a dinner rather than lunch? Your diary that evening has Young Conservatives for a drink & photograph from 6.15 - 7.15. Since the Portuguese seem to attach such importance

to a dinner, agree to move the YCs to another evening? Yes

② ensuring good Ministerial attendance at Soares' return dinner (you are not going). Agree that I should write round senior colleagues on your behalf asking for a special effort to get to the Portuguese dinner? C.D.P. 24/9.



See Ms
advised Cadock

10 DOWNING STREET

From the Private Secretary

25 September 1984

VISIT BY THE PORTUGUESE PRIME MINISTER: 20-23
NOVEMBER

Thank you for your letter of 24 September about the arrangements for the visit of Dr. Mario Soares.

I have consulted the Prime Minister who is perfectly willing to give a dinner in honour of Dr. Soares rather than a lunch. It will have to be on 21 November, which is when the Portuguese were planning their return dinner. I should be grateful if the Ambassador could be informed of this change of plan.

The Prime Minister would like the talks with Dr. Soares to be moved to 1900 on 21 November.

BF | The Prime Minister will urge a number of her senior colleagues to attend the return lunch or dinner. I should be grateful if you would let me know as soon as possible what date the Portuguese Ambassador selects for this and which Ministers you would like encouraged to attend.

CHARLES POWELL

Colin Budd, Esq.,
Foreign and Commonwealth Office.

CST

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>1342</i> (one piece/item number)	Date and sign
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Extract/Item details: <i>Telno 224 dated 3 July 1984</i>	
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DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>1342</i> (one piece/item number)	Date and sign
Extract/Item details: <i>Coles to Bone dated 9 May 1984 with enclosures</i>	
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The box described as 'Missing' is for TNA use only (it will apply to a document that is not in its proper place after it has been transferred to TNA)

Portugal

John Coles

PORTUGUESE C.D.S. PARTY

1. Senor Pires has just been elected as President of the Portuguese CDS Party which is in communion with the Conservative and Unionist Party.
2. Sir Anthony Royle telephoned yesterday afternoon to say that Senor Pires will be in London from 20th - 24th March. Sir Anthony does not ask that the Prime Minister should grant an interview to our hero; only whether she would agree to be photographed with him at Number Ten.
3. I appreciate that the Prime Minister will be with the Brussels Mandarins on 21st and 22nd March.
4. What reply, please, should I give to Sir Anthony?

10.3.83

IAN GOW

SENHOR FRANCISCO LUCAS PIRES

Senhor Lucas Pires was born in Santo Tirso, Northern Portugal in 1944. Obtained a Law Degree from Coimbra University where he lectured for eight years on Public Law and Political Science. Minister for Culture and Science in the Present Eighth Portuguese Constitutional Government.

Granted a Scholarship by the Gulbenkian Foundation to the Federal Republic of Germany, where he worked on a thesis on a Constitutional theory for the technically orientated Society.

During his period of military service he was appointed legal advisor to the Army Staff.

A member of the CDS (Christian Democratic Party) Senhor Lucas Pires was a successful candidate in the Parliamentary elections of 1976, and has dedicated himself specially to parliamentary activities and to working for the Party of which he was a Vice President. President of the CDS since the Congress of February 1983.

He is Director of Studies at the Institute of Investment and Political Formation (Instituto do Investimento e Formação Política) and writes for a number of publications. He is also the author of several books, among them "Uma Constituição para Portugal - (A Constitution for Portugal)" with a foreward by Professor Diogo Freitas do Amaral.

Portugal



MO 26/9/18

MO 11/10/10

A.S.C. 12/11

h-a.

RECORD OF A MEETING BETWEEN THE SECRETARY OF STATE
FOR DEFENCE AND THE PORTUGUESE VICE PRIME MINISTER
ON WEDNESDAY 10TH NOVEMBER 1982 AT 0900

Present:

The Rt Hon John Nott MP
Secretary of State for Defence

HE Senhor Freitas Do Amaral
Vice-Premier and Minister of
Defence

Mr N J Beaumont
Head of DS 12

HE Senhor Joao C L C de Freitas-
Cruz
Portuguese Ambassador

Miss J E Ridley
APS/Secretary of State

Senhor Carlos Pardal
Secretary of State for Defence

Senhor Cortez-Real
Chef de Cabinet to Vice-Premier

1. After an initial exchange of courtesies the Secretary of State asked what was the Portuguese perception of the way ahead for Spain after the recent elections. Professor Freitas Do Amaral said that he believed Gonzales would be more moderate in power than he had seemed before the election although doubt must remain about Spanish entry into NATO. He believed that Suarez still had influence and would encourage Spanish entry. The two main internal problems would be terrorism and separatism which were in a sense linked. It was by no means clear whether these problems would be exacerbated or resolved under the new Government. Military unrest might also be a problem although the election result would not necessarily provoke further trouble since the Armed forces are simply anti-democracy and not just anti-socialist. He believed that if the Government were to fail the whole nation would have failed and that could have repercussions for the Iberian peninsula.

2. Professor Freitas Do Amaral described progress on the changes in the Portuguese constitution. Although a two thirds majority in the Parliament had been necessary to revise the constitution in fact 78 per cent had voted in favour. The revolutionary period was now officially closed since all references to the revolution



had now been expunged from the constitution. The Armed forces were now constitutionally dependent on the executive, not the revolutionary council, and again a two thirds majority had been needed to bring this about which meant that even the Socialists had supported the change. The judicial system should be in action from the beginning of the year and again it had been established with a two thirds majority in Parliament. He believed therefore that the whole system of Government, being broad based, would have widespread support.

3. The Secretary of State thanked the Portuguese Government for its help during the Falklands crisis and said that the use of Portuguese air space had been invaluable. He understood how difficult it had been for Portugal with its connections in South America to support us in this way and he was very grateful. Professor Freitas Do Amaral said that Portugal had only played the part to be expected from an ally and asked whether, as an ally, she would be informed of the lessons learned. The Secretary of State said that of course NATO would be told about the lessons which would affect Alliance, strategy and tactics but there were difficulties over blanket release of all the very detailed information on equipment performance. The sum of the analyses was an extremely sensitive document which would be very revealing to the Warsaw Pact should it come into their hands. The document could not, therefore, be widely circulated. However allies who hold or were interested in particular equipments would be given data on performance. The forthcoming White Paper would also be circulated around NATO and this would contain less sensitive information about the equipment used. The Secretary of State then explained in broad terms the UK's intention to replace equipment that was lost during the operations and explained that this would be funded separately from the 3 per cent NATO commitment.

4. In answer to an enquiry from the Secretary of State Professor Freitas Do Amaral said that the Portuguese frigate programme was running into serious difficulties. The decision not to purchase the Rolls Royce Olympus engine had regretfully been taken because the fuel consumption of the engine made it a very expensive choice. Portugal had therefore looked for a different way in which the UK might contribute to the programme and Lynx helicopters had seemed a good option. They would not ask for six helicopters but only for three plus some additional equipment items, bringing the total aid requested to some \$48.156M. He would leave a memorandum explaining the composition of this package (attached). The Secretary of State explained how difficult it was for the UK to provide gifts in this way because there was no military aid budget. Any gift of new equipment, such as Lynx helicopters, would mean cutting back on our own defence programmes but of course we would do our very best to make credit terms attractive - as we tried to on the Rolls Royce engines for the frigates. Professor Freitas Do Amaral described briefly the history of the frigate project: how NATO as a whole had agreed to the project and to multi-national participation but that when bilateral talks were started countries would not agree to



contribute. The United States and the smaller countries in NATO had already made some contribution leaving the UK and FRG as the main participants yet to agree on anything concrete. The Secretary of State said that the Government would give the Portuguese proposal further consideration. Professor Freitas Do Amaral then explained that he had a fresh proposal to make. If the Portuguese were to buy the Rolls Royce Olympus engine for the frigates their fuel consumption would cost some 30 per cent more than the combination of US and German engines they currently planned to fit. He would leave a memorandum (attached) explaining the basis on which the calculations had been made. He hoped that the UK might make an annual subsidy in the provision of fuel equal to the additional cost of running the Rolls Royce engine, that is, some \$52M over the 22-year life of the frigates. The Secretary of State said that he would consider this proposal urgently and would let the Defence Minister have an answer at the forthcoming NATO meetings. Professor Freitas Do Amaral stressed that the Portuguese needed an answer soon if the frigate programme were not to founder completely.

5. The Secretary of State concluded the meeting by mentioning that the UK was embarrassed by the poor state of the Saladins earmarked for Portugal and would hope to refurbish them as soon as possible. Professor Freitas Do Amaral thanked the Secretary of State for this assurance.

6. The meeting ended at approximately 0945.

Ministry of Defence

12th November 1982

JK

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PS/DUS(P)	Head of DS 1	PS/Prime Minister (Mr Coles)
		PS/FCS (Mr Bone)

MEMORANDUM ON THE HELICOPTERS AND UK SUPPLIED ITEMS
FOR THE PORTUGUESE FRIGATES PROGRAM

The initial Ad Hoc Group plan did not consider the helicopters for the ships. The requirement is for two helicopters per ship. The total of six helicopters amounts to a very significant figure that can not be left out of the plan.

On the revised plan proposed by Portugal it was considered that the contribution of the helicopters would be split, three to UK and three to Portugal.

The alternatives for the origins of the helicopters contemplated were:

- 1) - USA, Sea Sprit (Lamps I)
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The preference went to the first two types, the ones found on board the NATO naval vessel operating on the area where the Portuguese frigates will also operate. This preference is maintained even considering the much higher costs of the two first types of helicopters face to the other two competitors. (Diferences of about 80%)

As mentioned above the plan prepared by Portugal contemplates UK supplied helicopters. Tenders were obtained from Westland Helicopters Limited detailing the extent of supplies and the cost with alternative solutions for the configurations.

Regarding the Helicopters the positions are:

<u>UK comparticipation required</u>	Thousands of US \$
- Helicopter facilities on the ship (part).....	70
- Helicopter	10.000
- Spares, tools, manuals and training	2.014
Total per ship	12.084
For three ships	36.172
Extra Deliveries	2.000
Total for three ships	38.172

<u>Portuguese comparticipation</u>	
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- Spare, tools, manuals and training	2.000
Total per ship	12.000
Total for three ships	36.000

Besides the helicopters some additional items are also required as UK comparticipation:

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- Radiac	54
- Windows, side lights, wipers	66
- Bathythermograph	40
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Total for one ship	3.300
For three ships	9.900
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Total for three ships, besides the helicopters	9.984
Total for three ships; with helicopters	48.156

November 3, 1982

M E M O R A N D U M

This Memorandum and attached tables deal only with fuel consumption to be expected for the Portuguese Navy new frigates.

Four equipments are considered, two for cruising speeds and two for speeds above cruising, namely:

a) For cruising:

- MTU Diesel, from Germany (RFA)
- Tyne Gas Turbine, from the United Kingdom

b) For speeds above cruising:

- GE LM 2.500 Gas Turbine from the U.S.A.
- Olympus Gas Turbine from the United Kingdom

The bases for the calculation are stated in the tables. It can be seen from Table 1 that two extreme modes of operation were considered:

- Peace with ships operating 73% of the time with cruising engines and 27% with the higher power engines.
- Crises with 33% of the operational time with cruising engines and 67% with the higher power engines.

For powers below 5.400 SHP, for the case of the Tyne cruising gas turbines, it was considered the operation of the ships on a single shaft in order to reduce the fuel consumption. Thus the ships would be operated on a single shaft 53% and 25% of the time respectively in peace and in crisis periods.

The specific fuel consumption figures shown on Table 1 were taken from the information made available to the Portuguese Navy for standard conditions of temperature, humidity and pressure.

The operating times per year, 1.300 hours in peace and 1.800 hours during crisis, are very conservative.

The yearly per ship fuel consumption calculated in Table 1 are used in Table 2 for the estimation of the total fuel consumptions and corresponding costs for three ships during their life cycle.

Here again the span of life for the ships is very conservative, reduced to only 22 years.

The important aspect of the fuel costs in the future was covered in the calculation shown on Table 2 considering a constant relation of 1.035 between the Fuel Price Index and the Discount Rate used.

Besides the calculations for the basic extreme situations, peace and crisis, an intermediate one was tabled for a mix of 80% of peace and 20% at crisis during the span of life of the ships.

The considerations that follow are for this intermediate situation. For the extreme conditions of peace and crisis similar consideration can be readily made by observation of Table 2.

The calculation shown on expected economy obtained with the MTU Diesel engines over the Tyne Gas Turbine of the order of 20.500 tons of fuel corresponding to a cost of about 17 millions of USA dollars; the GE LM 2.500 shows a saving over the Olympus of about 62.700 tons of fuel with an estimated cost saving of 52 millions USA dollars.

FUEL CONSUMPTION

PER SHIP PER YEAR

POWERS B H P	% WORK. TIME		SPEC. FUEL CONS. GR/BHP/HOUR		TONS FUEL PER SHIP PER YEAR			
					PEACE:1.300 HR/Y		CRISIS:1.600 HR/Y	
	PEACE	CRISIS	MTU	TYNE	MTU	TYNE	MTU	TYNE
700	6	5	185	400(1)	10,1	21,8	10,4	22,4
1.010	3	3	180	373(1)	7,1	14,7	8,7	18,1
1.940	4	5	167	287(1)	16,8	29,0	25,9	44,6
3.360	20	6	160	241(1)	139,8	210,5	51,6	77,8
5.400	20	6	156	216(1)	219,0	303,3	85,0	117,6
10.000	20	8	160	221	416,6	574,6	204,8	282,9
TOTALS	73	33			808,8	1.153,9	386,4	563,4
	PEACE	CRISIS	G E	OLYMPUS	G E	OLYMPUS	G E	OLYMPUS
14.290	6	12	239	355	266,4	395,7	655,7	974,0
19.770	6	11	219	304	337,7	468,8	762,0	1.057,8
26.620	7	12	194	261	469,9	632,3	991,6	1.334,0
35.020	6	15	184	246	502,6	672,0	1.546,5	2.067,6
51.000	2	17	175	222	232,1	294,4	2.427,6	3.079,6
TOTALS	27	67			1.808,7	2.463,2	6.383,4	8.513,0

BASIC HYPOTHESIS:SPEC. FUEL CONSUMPTION FOR STANDARD WEATHER CONDITIONS
LIMITED OPERATIONS TIME

NOTE: (1) specific fuel consumption for operation on a single shaft 53% of the time in peace, 25% of the time during periods of crisis.

FUEL CONSUMPTION
THREE SHIPS, 22 YEARS

Systems	Tons of Fuel			Thousands of USA Dollars		
	Peace	80% peace 20% crisis	crisis	Peace	80% peace 20% crisis	crisis
MTU	53.381	47.805	25.502	44.313	39.685	21.170
- TYNE	76.157	68.362	37.184	63.221	56.750	30.868
GE	119.374	179.760	421.304	99.096	149.225	349.739
OLYMPUS	162.571	242.428	561.858	134.956	201.248	466.418
TOTAL SAVINGS	65.973	83.225	152.236	54.768	69.088	126.377

BASIC ASSUMPTION: SHIPS ENTERING SERVICE BEGINNING 1989
 FUEL AT US\$390 IN 1981
 CAPITAL ASSETS PRICING MODEL:
FUEL PRICE INDEX = 1.035
 DISCOUNT RATE
 HANDLING CHARGES
 RESIDUES, SPILAGES
 AND LOSSES = 10%

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10 DOWNING STREET

From the Private Secretary

10 November 1982

Dear Roger,

Visit by the Portuguese Vice Prime Minister

Professor Freitas do Amaral called on the Prime Minister this morning. I enclose a copy of the record of conversation. I also enclose copies of the three documents which Professor Freitas do Amaral left with the Prime Minister and which are referred to in the record.

As I told you on the telephone, there was no opportunity for the Prime Minister to raise the question of compensation for British farmers. You undertook to see whether there would be another opportunity during the programme for a Minister to raise this issue.

I also told you on the telephone that, after the meeting, the Prime Minister expressed to me some concern that in deciding how we should vote on the UN draft resolution about East Timor, we should pay full attention to the possible implications for our position on Hong Kong. You agreed to let me have a letter containing advice on this question.

I am copying this letter and enclosures to Richard Mottram (Ministry of Defence) and Richard Hatfield (Cabinet Office).

Yours ever

John Colles.

Roger Bone, Esq.,
Foreign and Commonwealth Office.

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SUBJECT

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RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER
AND THE PORTUGUESE VICE PRIME MINISTER AT 1130 ON
WEDNESDAY 10 NOVEMBER 1982 AT NO.10

Present:

Prime Minister	Professor Freitas do Amaral
Mr Coles	HM the Portuguese Ambassador
	Senhor Antonio Corte Real (Chef de Cabinet)

Political Situation in Portugal

In response to a question from the Prime Minister, Professor Freitas do Amaral said that the constitutional changes had been implemented very successfully. The Government had obtained more than the required two-thirds majority in Parliament with even the Socialist Party voting in favour. Thus, the main objective of the Government's political strategy had been achieved. The Prime Minister commented that the achievement was remarkable. Professor Freitas do Amaral said that all traces of the revolution, and of Marxist elements in the constitution, had now been removed. The armed forces had been placed under political control, a constitutional court created and full democratisation of Portugal attained. By early or mid-December, the new system would come into force. The Prime Minister recalled that Professor Freitas do Amaral had been in her room when she was Leader of the Opposition at the time when the 1974 revolution occurred.

/Spain

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Spain

The Prime Minister said she would welcome Professor Freitas do Amaral's advice on the situation in Spain. Professor Freitas do Amaral said it was not easy to predict how the future would develop. He believed that the Socialist victory would be accepted and did not think that there would be a military coup on this account. Nevertheless, military unrest existed. In this respect there was a big difference between Portugal and Spain. In Portugal, during the first days of the revolution, the extreme right wing in the armed forces had been purged. So there was now no danger of a military coup. But in Spain, right wing elements were still present in the armed forces. There was a small group which simply did not accept democracy. However, all the political parties would resist military intervention and the King was now playing a very important role again. The main issue was whether the Socialist party could win the support of the armed forces. If democracy in Spain failed, the implications for democracy on a wider front would be serious.

The new Spanish Government was unlikely to adopt radical measures. It would be moderate in domestic affairs. In foreign affairs, it would be rather like the present French Government, that is to say pro-Western on East/West relations but fairly radical on North/South matters. He was not sure how their attitude to NATO would develop. It was not certain that a referendum would be held.

Accession to the European Community

Professor Freitas do Amaral said that it was his impression that the Portuguese negotiations were much more advanced than those with Spain. The Spanish negotiations were slow both because of the French position and because Spain was probably not interested in accession at a very early date.

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/Did we

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Did we think that France would continue to argue for the protection of its interests or try to help the new Socialist Government in Spain?

The Prime Minister said that, judging by her recent conversations with President Mitterrand, France would insist on a long transitional period and measures to protect jobs in Southern France. Professor Freitas do Amaral asked whether the problem merely related to securing a long transitional period or would France try to delay signature. The Prime Minister said that she had put this question to President Mitterrand who had replied that it ought to be possible to reach agreement on Spanish accession relatively quickly and in a period considerably shorter than two years. Professor Freitas do Amaral said that Portugal was practically ready to accede. One of the most difficult problems, that relating to textiles, had been settled. Portugal did not want to be kept waiting. It would like to accede as soon as the negotiations were over. It could of course wait for six months or so if the Spanish negotiations looked like ending within that period. But if a delay of one, two or three years seemed likely, Portugal would like to accede separately.

The Prime Minister commented that some of our EC partners thought that separate Portuguese accession would be a slap in the face for Spain. Professor Freitas do Amaral replied that a delay in Portuguese accession would be a slap in the face for Portugal. The Prime Minister said that the aim must be to speed up the negotiations with Spain as much as possible. It was conceivable that Mitterrand's attitude would become more flexible now that there was a Socialist Government in Spain.

Professor Freitas do Amaral said that he wished to emphasise one point. Portugal had no interest in entering the Community before Spain if Spain was ready. There was no advantage in getting in first. It was simply that Portugal did not wish to be kept waiting, if Spanish accession was

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/delayed.

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delayed. Portugal wished to sign the Instrument of Accession before the end of the German Presidency of the Community. It was worried about the possible attitude of the Greek Presidency in the second half of 1983. A possible compromise would be for Portugal to sign the Instrument when it was ready, for Spain to sign later and for both to accede simultaneously. Commission officials had recently said that the Portuguesenegotiating process was 80% complete whereas that with Spain was less than 10% complete. He thought this exaggerated but it gave an idea of the gap.

The Prime Minister said that Spain would have to open its border with Gibraltar before it entered the Community. Professor Freitas do Amaral asked whether there had been any developments in this regard. The Prime Minister said that there had not; the new Government in Spain had, after all, not taken office yet.

East Timor

Professor Freitas do Amaral said that the forthcoming vote at the UN General Assembly was very sensitive for Portuguese public opinion. The whole political spectrum was united in its views. Portugal had no territorial claim to East Timor but it wanted to see a true process of self-determination. It was recognised that the situation was very difficult. Portugal would table a new resolution, different from that put forward in previous years. It would be much more moderate and would give a mandate to the UN Secretary General to try to solve the problem. The draft was not directed against Indonesia. Portugal would be sponsoring the resolution for the first time. The different approach which Portugal was adopting would justify a change of vote. Belgium had reacted positively and had said it would try to convince other EC Member States. Denmark had said that it might change its vote. Greece would vote in favour. Some Nordic countries appeared to be well disposed. Portugal was very interested in securing United Kingdom and EC support rather than abstention.

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/The Prime Minister

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-5-

The Prime Minister enquired as to the composition of the population of East Timor. Professor Freitas do Amaral said that they were almost all Indonesian and there were practically no white Portuguese left. But the population had a different ethnic origin from that of other Indonesians. Humanitarian conditions were terrible. Portugal could not try to solve the problems because it had no dialogue with Indonesia.

The Prime Minister said that we would normally abstain on the East Timor resolution. East Timor was not like the Falklands which had wholly British stock. What was the attitude of the East Timor people to remaining a part of Indonesian territory? Professor Freitas do Amaral said that East Timor wanted independence. Indonesia claimed that the right to self-determination had already been exercised. Portugal wanted the UN Secretary General to establish whether it had or had not been. If he reported in the former sense, Portugal would accept that. An honourable solution was necessary. Portugal could not just accept the use of force - and on that point there was some similarity with the Falklands issue. The Prime Minister said that she would look at the draft resolution. She could not promise that we would do anything other than abstain. We normally tried to adopt an EC position.

At this point Professor Freitas do Amaral handed over a letter from the Prime Minister of Portugal about the issue.

/Frigates

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FRIGATES

Professor Freitas do Amaral said that he had seen the Secretary of State for Defence earlier in the day. The frigate programme was not just important in the military sense. It was politically significant in that the present naval command were under criticism from left wing officers for not being effective in obtaining help and equipment from either the Portuguese Government or Nato. It would be a very considerable set-back if this programme was not implemented. Nato had approved it in 1980 as a multi-lateral programme to be financed 50% by Portugal and 50% by others. The idea had been that Portugal would negotiate the details with individual countries but in practice each country tended to say that it was unable to help. The United States and the Netherlands had now agreed upon their contributions. Britain and Germany were the problem. Britain had shown interest in providing Rolls Royce engines. Portugal had earlier concluded that these would be so much more expensive in oil consumption that they were not acceptable. A request had therefore been made for help with the helicopters. It had been said on many occasions, and Mr. Nott had repeated it today, that we had no budget for military aid. He therefore wished to ask the Prime Minister whether a special military budget could be created for Portugal. If not, there was a new proposal which he had put to the Defence Secretary at their meeting earlier in the day. He recognised that there was a strong British interest in providing Rolls Royce engines. Portugal could envisage accepting these if we provided fuel on a subsidised basis. This would involve meeting 30% of fuel costs over 22 years.

The Prime Minister said that she understood the Portuguese desire to settle this question. She would consider the new proposition, together with her colleagues. There was some attraction in supplying Rolls Royce engines. Professor Freitas do Amoral commented that, if this could be arranged, the United States could then contribute to the helicopter element. At this point, he handed over two memoranda, copies of which had already been given to the Secretary of State for Defence. He stressed that the earliest possible answer was needed. Portugal would have to report to a Nato meeting on 1/2 December. The Prime Minister said that we would try to meet this deadline.

/FALKLANDS

FALKLANDS

Professor Freitas do Amoral said that he wished to congratulate the Prime Minister on the Falklands victory, which was a victory for us all. The Prime Minister thanked him for the attitude taken by the Portuguese Government during the Falklands affair.

Professor Freitas do Amoral said that he had suggested to his Prime Minister that the Government should depute someone to visit the Cabinet Office to study its procedures. It was well known that our Cabinet Office was the best in the world. The Prime Minister said that she thought this was a useful suggestion and we should certainly agree to receive a representative of the Portuguese Government.

The discussion ended at 1215.

A. J. C.

10 November 1982

MEMORANDUM ON THE HELICOPTERS AND UK SUPPLIED ITEMS
FOR THE PORTUGUESE FRIGATES PROGRAM

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November 8, 1982

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 FUEL AT US\$390 IN 1981
 CAPITAL ASSETS PRICING MODEL:
FUEL PRICE INDEX = 1.035
 DISCOUNT RATE
 HANDLING CHARGES
 RESIDUES, SPILAGES
 AND LOSSES = 10%

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IMMEDIATE

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TO IMMEDIATE F C O

TELEGRAM NUMBER 194 OF 9 NOVEMBER

SIR-SIBULAND

NEWLIGHT

MR GOODISON

MR HANWAT

CAS OFF

MY TELNO 193: VISIT OF PORTUGUESE VICE PRIME MINISTER

1. FREITAS DO AMARAL TOLD THE PORTUGUESE PRESS ON HIS DEPARTURE FOR LONDON THAT HIS CONVERSATIONS WOULD CONCENTRATE ON THREE TOPICS:

A) HE WOULD ATTEMPT TO PERSUADE BRITAIN TO CHANGE ITS VOTE ON THE UN RESOLUTION ON EAST TIMOR FROM ABSTENTION TO A VOTE IN FAVOUR.

B) HE WOULD PRESS FOR FINANCIAL ASSISTANCE ON THE FRIGATE PROGRAMME.

C) HE WOULD STRESS THE NEED TO SEPARATE PORTUGUESE AND SPANISH ACCESSION NEGOTIATIONS (SEE MY TUR).

2. I BELIEVE THAT A) IS LARGELY FOR DOMESTIC POLITICAL CONSUMPTION, AND THE PORTUGUESE WILL BE CONTENT WITH A CONTINUED ABSTENTION ALTHOUGH IT WOULD BE USEFUL IF WE COULD MAKE A HELPFUL DECLARATION OF VOTE. B) AND C) WILL BE OF GREATER IMPORTANCE TO FREITAS DO AMARAL.

3. ON OUR SIDE I STRONGLY RECOMMEND THAT THE PRIME MINISTER RAISE THE QUESTION OF COMPENSATION FOR BRITISH FARMERS ON WHICH THERE HAS STILL BEEN NO PROGRESS.

BYATT

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MINISTRY OF DEFENCE

MAIN BUILDING WHITEHALL LONDON SW1A 2HB

Telephone 01-218 2111/3 (Direct Dialling)

01-218 9000 (Switchboard)

MO 26/9/18

9th November 1982

Dear John,

VISIT BY THE PORTUGUESE VICE
PRIME MINISTER

/Kdy A I am attaching a brief on UK Portuguese Defence relations for the Prime Minister's meeting with Professor do Amaral. As you will be aware he intends to raise with the Prime Minister the question of aid with the Portuguese Frigate Project. This is fully covered in the briefing.

Yours ever,

Gene Ridley

(J E RIDLEY)(MISS)

A J Coles Esq

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CALL BY PORTUGUESE VICE PRIME MINISTER

Military Aid

You have requested a grant of \$49 million to buy six Lynx helicopters as part of your frigate project. We are still examining your request. We shall let you know our decision as soon as possible.

Your people should talk to Westlands about Lynx. MOD will assist in talks. Confident that preferential credit terms and substantial training assistance can be made available.

Falklands

Grateful for your political support and for allowing overflights of Madeira (if necessary - this is of course what we would expect of an ally).

EC/Portugal

Good progress in accession negotiations. Glad textile regime resolved - considerable concessions by UK.

Want Portugal in EC as soon as possible. Understand that if Spanish negotiations protracted you will not wish to be held back. First thing is to get your negotiations completed. Should be possible next year. Can then judge how far off completion of Spanish negotiations is.

East Timor

We expect to abstain on the UN Resolution together with our EC partners. But we shall try to make an explanation of vote which is helpful to you (by recognising that you have made a genuine effort to be constructive and by expressing hope that the Resolution will produce a solution acceptable to all parties concerned.)

/Resolution still

Resolution still contains some problems for us. Refers to Portugal as the administering power and seems to imply that self-determination must lead to independence. Do you really expect an independent East Timor?

If necessary - not the same as the Falklands. People in East Timor do not wish to stay Portuguese. Portuguese accounted for less than one per cent of the population of East Timor.

Compensation for British Farmers

Understand that nine claims are still outstanding for property expropriated from British farmers in 1975. Please do all you can to settle these quickly.



MO 26/9/18

FOREIGN AND COMMONWEALTH SECRETARY

Thank you for your minute of the 29th October. ^{below} As you know the question of military aid to Portugal has been under consideration for some time. In considering this matter I am well aware of the value of our relationship with Portugal but I also have to bear in mind that, as a matter of policy, (and as is well known in the Alliance) the MOD does not have a military equipment aid budget.

2. I certainly would not seek to underplay the usefulness of the assistance which the Portuguese gave us during the Falklands campaign, for example permission to overfly Madeira. I believe, however, that this was no more than we were entitled to expect of an ally (notwithstanding her links with Latin America) when we were fighting in defence of the principles which the Alliance was established to uphold. You mention the possibility that, if we do nothing to help with the frigate/helicopter programme, the Portuguese may take steps to curtail assistance and co-operation in the future. While this would undoubtedly be inconvenient, I understand that it would not seriously impede our ability to support South Atlantic operations because most of our routes already avoid Portuguese territorial and controlled air space; and all of them could do so. For the Portuguese to deny all facilities for all purposes other than emergencies, including denial of staging for NATO exercises, would impose severe penalties and might involve our withdrawal from some exercises. But it is hard to see the Portuguese going this far in defiance of their direct obligations to NATO.



3. I accept that a grant would help UK/Portuguese relations; and would generally be seen as a positive signal to the Alliance. But it would be a departure from all precedent and would raise expectations of similar help to Greece and Turkey, which we would be hard pressed to deny, however much we tried to present a grant to Portugal as a special case.
4. I also have to consider the implications for the UK defence industry. The gift of two Lynx would be a direct subsidy to Westlands. Rolls Royce worked very hard, with our encouragement, to secure the order to supply the engines for the frigates, to the extent that their final offer was a loss-leader. They were unsuccessful, ostensibly because of the lower running costs of their competitors' engines but the lack of commitment by HMG to help with the Portuguese finance was also, no doubt, a factor. Rolls Royce would understandably look askance at an offer of such help with the Lynx. In any case I am far from certain that the Portuguese would feel particularly grateful for a gift of two helicopters. I understand that they are not satisfied with the German commitment to provide only half the funds for which the Portuguese are asking.
5. Westlands are keen to secure the order for the Lynx and I am sure that the Defence Sales Organisation will encourage them to offer the most competitive terms. Favourable ECGD credit terms should be available and MOD and the company should be able to arrange substantial assistance with training the Portuguese. I do not think we can go beyond this.
6. If the case for a gift is felt to be overwhelming I believe that it must be funded from outside the Defence Budget. There are precedents for this. The FCO funded aid for the Belize Defence Force worth about £6M. The package includes new equipment such as patrol boats and aircraft, and is not confined to equipment which is



surplus to our own needs. Another major gift was the £8M 'Kano' package for Zambia which was funded from the Central Contingency Reserve. In my judgement these examples are closely analogous to your proposal in the present case and I would prefer to proceed in this way rather than breaking our present policy.

7. I am copying this to the recipients of yours and to Patrick Jenkin.

J.W.

9th November 1982

Ministry of Defence



10 DOWNING STREET

John

I put the attached in the PM's meeting Role with a note saying that the Deputy PM Portugal intends to raise the subject of aid with the Portuguese regime project and that this had been covered in the briefing for tomorrow's meeting.

Logie

9/4



10 DOWNING STREET

Premier Minister

Profemas da Amaral will raise
the question of aid with the
Portuguese Frigate Project. This
has been covered in the briefing
for your meeting with him tomorrow.

A. C. G.
Judy Clark

9.11.82

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cf I. Kydd



Foreign and Commonwealth Office

London SW1A 2AH

9 November 1982

See Tsk

Visit of Portuguese Vice Prime Minister

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Flag A*

As requested I enclose a brief for the Prime Minister's use in her talks with Professor Freitas do Amaral on 10 November. You will be receiving a separate note from MOD on UK/Portugal Defence Relations which will cover the question of the supply of Lynx helicopters to the Portuguese.

As is mentioned in paragraph 8 of the Steering Brief, we particularly hope that the Prime Minister will feel able to raise briefly the question of compensation for British farmers.

*See on
R B Bone*

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

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VISIT OF THE PORTUGUESE VICE-PRIME MINISTER: 10 NOVEMBER 1982

Steering Brief

UK OBJECTIVES

1. a) Strengthen personal relations with the leaders of the Portuguese Government.
- b) Reaffirm support for Portuguese accession to the EC.
- c) Explain that response to Portuguese request for help over NATO frigates programme is still under consideration.

LIKELY PORTUGUESE OBJECTIVES

2. a) Secure British commitment to supply Lynx helicopters for NATO frigates programme.
- b) Obtain publicity in the context of Portuguese regional elections (due in December) and Freitas do Amaral's probable aspirations for the Presidency of Portugal (elections due in 1985).
- c) Obtain UK support for East Timor resolution.

BACKGROUND AND TACTICS

3. Professor Freitas do Amaral is also Minister of Defence, President of the Portuguese Centre Social Democrat Party (CDS) and President of the European Union of Christian Democrats. The call is at his request. He is seeing the Secretary of State for Defence earlier in the day at 9.00am and, in the evening, is Guest of Honour at the Anglo/Portuguese Society Annual Dinner: Mr Cecil Parkinson is the main British guest.



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4. Professor Freitas do Amaral last called on the Prime Minister in May 1980 when, as Foreign Minister, he accompanied the then Prime Minister, Dr Sa Carneiro, on a visit to London (Dr Sa Carneiro was unable to come to the meeting owing to an injury received in a car crash on the way to London. He was subsequently killed in an air crash in December 1980).

5. Professor Freitas do Amaral's party, the CDS, currently has differences with its partner in the Democratic Alliance (AD) coalition, the Social Democratic Party (PSD), under the leadership of the Prime Minister, Dr Pinto Balsemao. Professor Freitas do Amaral is keen to project himself on the international as well as domestic scene. Regional elections take place in December. General Elections must take place in 1984 at the latest but, with economic difficulties and considerable political confusion, they could well be brought forward.

6. Frank discussion should be possible. Professor Freitas do Amaral speaks good English. Although sometimes prickly, he is knowledgeable and aspires to be treated seriously by leaders of the main Western democracies. He has good links with the Conservative Party.

Agenda

7. Separate briefs are provided on:

- a) UK/Portugal Defence Relations (MOD brief)
- b) EC/Portugal
- c) East Timor

8. The Prime Minister should also press for settlement of claims for compensation for British farmers whose property was expropriated in 1975. Nine claims are outstanding. The matter was not raised during the Portuguese Prime Minister's visit to London last December and the Portuguese consequently sought to use this as evidence that we attached little importance to these claims.



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9. Professor Freitas do Amaral may express concern about Spain's entry to NATO (Portugal is worried about being overshadowed by Spain). Portuguese have said that they will not accept any Portuguese forces under Spanish command or vice-versa. Position is well understood in Alliance which should be able to find a satisfactory solution.

Bilateral Relations

10. Portugal and England have been allies without a break since 1373 (our oldest allies). Portugal was also a founder member of NATO. The Portuguese are inclined to look to the UK for support and advice on international matters and help with their own problems : their expectations are often greater than our ability to meet them, particularly when they require financial assistance.

11. Relations are generally excellent, visits in both directions are frequent. Dr Pinto Balsemao called on the Prime Minister in London in December 1981.

12. On the Falklands the Portuguese supported SCR 502, made public statements in support of the UK, and were helpful over military operations in allowing numerous overflights of Madeira airspace and the use of Lajes air base in the Azores (although in practice we made little use of this). They abstained on the latest General Assembly resolution.

International Affairs

13. The Portuguese retain considerable knowledge of and interest in Southern Africa, particularly the ex-Portuguese territories of Angola and Mozambique with which they are attempting to renew links. They have a residual interest in East Timor (taken over by Indonesia in 1975) and are embarking on a new diplomatic initiative aimed at reaching a face-saving settlement with Indonesia. Portugal has continuing responsibility for Macau and therefore is interested in UK/China/Hong Kong. The Chinese are generally cooperative over Macau and there are no particular current problems. In other areas, Portuguese knowledge of world affairs is limited and Portugal counts for little.


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Internal Affairs

14. Since 1979 the Portuguese Government have been formed by the Centre Right Democratic Alliance (AD) Coalition. This consists of the Social Democratic Party (PSD), the Centre Social Democrats (CDS) and the tiny monarchist party (PPM). Dr Pinto Balsemao (PSD) took over as Prime Minister in December 1980 after the death of Dr Sa Carneiro. General Eanes was reelected President for a second five-year term soon afterwards.

15. Balsemao is not a popular leader. There are major strains both within his party and with the CDS. But, as yet, he has no challenger. Although a much smaller party, the CDS is more coherent than either the PSD or the Socialists. There are rumours that Professor Freitas do Amaral is thinking of launching a new political grouping on the Right.

16. The Socialist Party are making little impact as an oppositon and show no signs of wanting to assume Government while the economic situation is so poor. The Socialist Party leader, Mario Soares, (as well as Professor Freitas do Amaral himself) aspires to be President in 1985.

17. Revisions of the Constitution recently agreed by Parliament, abolished the armed forces' Council of the Revolution, pruned the powers of the President and toned down much of the original constitution's Socialist-inspired language.

18. President Eanes has a low opinion of Portuguese party politicians. He is unhappy about the reduction of his powers; he may decide to lead a new party. As a modern Portuguese hero he has considerable popular appeal. But his habit of commenting publicly on the political situation infuriates Party leaders.

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19. The economy is in a bad state and prospects are bleak. Inflation is expected to reach 22% this year. The growth rate has fallen (1.7% GDP growth in 1981) and external debt is high and rising. There are substantial trade and current account deficits. Government action has so far been limited and largely ineffective. In the longer term, the Portuguese may be stimulated to make necessary structural changes by membership of the European Community.

PRIME MINISTERIAL VISIT

20. There is an outstanding invitation to the Prime Minister to visit Portugal soon (the Portuguese would like a visit in 1983) to which a temporising reply has been given. They have also invited the Queen to pay a State Visit; no definite answer has been returned.

Southern European Department
FOREIGN AND COMMONWEALTH OFFICE

9 November 1982

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VISIT BY THE PORTUGUESE VICE-PRIME MINISTER:10 NOVEMBER 1982UK/Portugal Defence RelationsLine to take

1. Value our defence relations with Portugal and use of Portuguese facilities. Particularly grateful for assistance during Falklands campaign.
2. Wish to see frigate project prosper. Disappointed Rolls Royce engines not chosen, but hope Lynx will be. Careful consideration is still being given to Portuguese request for UK Government grant. I cannot anticipate the outcome.
3. Important for Portugal to talk to Westlands about Lynx. MOD will assist in talks. Confident preferential credit terms (comparable to those ECGD offered on RR engines) and substantial training assistance can certainly be made available.
4. We should be able to help Portuguese defence by gifting surplus military equipment. Planning a new package including Ferret scout cars for delivery later this year, subject to Parliamentary approval. Estimated value more than £1M. Also looking at ways to remedy problems with Saladins already delivered.

Background

1. Relations between the armed forces of the two countries have been good. RN ship visits are frequent, and since 1980 British Army units have trained regularly at Santa Margarida. The RAF uses a number of Portuguese airfields, but this year ceased to contribute to operating costs for two of them because of reduced usage. The UK Military Training Assistance Scheme funds

Portuguese attendance on a range of UK courses. With the exception of BLOWPIPE, where orders of up to £30M are hoped for, immediate prospects of sales to Portugal are not good.

2. Portugal depends on aid from her more prosperous allies for the modernisation of her armed forces. Many members of the Alliance, notably the US, FRG and the Netherlands, have offered financial aid to the NATO project to help Portugal acquire 3 new frigates. The UK has made no commitment to provide comparable aid, but Portuguese Ministers have made it clear that this is expected. In September, Freitas do Amaral formally requested a grant of \$49M to buy 6 Lynx helicopters, and has yet to receive a reply.

3. The Portuguese have implied that the grant would be a quid pro quo for their assistance during the Falklands campaign. Their support, both politically and, for example, permitting overflight of Madeira, was valuable, but arguably no more than might be expected of an ally, notwithstanding that she has 50,000 nationals in Argentina. The MOD does not consider that Portuguese assistance was such as to warrant a departure from its well established policy of not having a financial military aid programme. Such a departure could well repercuss not only with other countries, in NATO and elsewhere, demanding aid, but also with UK firms, and especially Rolls Royce (for history of UK commercial interest in the project and of military aid, see Annex A) regarding aid as a means of subsidising defence sales. The risk of the Portuguese withholding access to their facilities if a grant is not made has been assessed. The consequences would be inconvenient, but manageable.

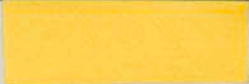
4. Following the FCS's letter dated 29 October to Mr Nott and the Defence Secretary's conclusion that the Defence Budget could not fund a Lynx purchase, but that the possibility of some FCO funding or call on the Central Contingency Reserve might be considered, the FCS wishes to discuss this further with Mr Nott and it is not therefore possible to reach an agreed view on a

grant in advance of Freitas do Amaral's visit. The Portuguese Minister will have to be told that the request is still receiving careful consideration, without being encouraged to expect a positive outcome.

MILITARY AID TO PORTUGAL

1. The UK's own main interest in the frigate project lay originally in the hope that Rolls Royce engines would be chosen, but in spite of very attractive commercial offers by the company plus favourable ECGD credit terms, the Portuguese have opted for a combination of US and German engines. However, the Portuguese are interested in acquiring Lynx helicopters (and certain other UK equipment) and MOD has offered to use its good offices in commercial negotiations between Portugal and Westlands. Westlands is keen to do business and recently offered to hold the price quoted in September 1981 until the end of this year. It should be possible to arrange favourable ECGD credit terms, and MOD and Westlands should be able to provide substantial assistance with Lynx training. Whether the Portuguese will choose Lynx when it becomes clear that there will be no UK grant to finance the purchase remains to be seen. The principal competitor is an Italian helicopter and Italy is not participating in the frigate aid programme.

2. UK military equipment aid to Portugal has been relatively modest in scope, being confined to two gifts of surplus equipment. The first was generally well received, but the Portuguese have been bitterly disappointed with the age and condition of the Saladin Armoured Cars which were the main component of the second gift. MOD is determined to do everything possible to improve these vehicles' condition. £360K has been allocated to refurbishing the 10 Saladins that remain to be delivered; ways to repair the 20 Saladins already in Portugal are being urgently examined. A third gift is being prepared, comprising Ferret Scout Cars, tank ammunition and aircraft spares, and subject to Parliamentary approval it is planned to deliver this by the end of the year. Its estimated value, including £360K for Saladin refurbishment is £1,061,000.



VISIT BY THE PORTUGUESE VICE PRIME MINISTER:

10 NOVEMBER 1982

EC/PORTUGAL

LINE TO TAKE

1. Excellent progress in accession negotiations. Pleased that able to resolve question of textiles régime satisfactorily, which involve as you will know, considerable concessions by UK.
2. See no major problems ahead in further negotiations. Glad we are able to be helpful to Portugal in current discussions, eg on question of VAT zero rating of foodstuffs.
3. Unlinking Want Portugal in EC as soon as possible. Quite understand that Portugal will not wish to be held back indefinitely if Spanish negotiations protracted. First thing is to get Portuguese accession negotiations completed. See no reason why this should not be done during 1983, even though complicated questions to resolve, particularly on agriculture and community finances. Can then see whether the Spanish negotiations show signs of moving to completion within



the 12/18 months which Portugal has said she is prepared to wait before acceding to the Community.

BACKGROUND

4. A substantial part of the Portuguese accession negotiations has now been completed. A Ministerial Conference with the Portuguese in the margins of the September Foreign Affairs Council finally settled the customs union chapter including the problem of a régime governing access by Portuguese textiles to the EC both pre- and post-accession. While the UK took a very tough line in the negotiations on textiles for the pre-accession period, we had always made it clear to the Portuguese that this would be a problem area (it was included in the Prime Minister's letter to Thorn on the inventory of problems). The Portuguese recognise that we made great efforts to meet their concerns and have now accepted that the régime is the best they could achieve.

5. Discussions are now under way in Brussels on social affairs and agriculture. Neither of these will present special problems for the UK, although they do for some of our partners (particularly the French and Germans) on freedom of movement. One point is also outstanding on taxation, where we have stoutly defended the Portuguese request to VAT zero-rate foodstuffs. No



final decision has yet been reached in the Community, but at the September Foreign Affairs Council all Member States but France could accept UK proposal.

6. Unlinking The Portuguese are not at present pressing their case to join the Community earlier than Spain. They have realised that by doing so, they would have to accept inter alia the unbalanced EC/Spain 1970 Agreement, which is even more rigorous than their own present trade régime with Spain (a matter of domestic controversy because of a surge in Spanish imports to Portugal). During recent discussions with British officials, the Minister of Finance (Salgueiro) who is responsible for Portuguese accession negotiations said that Portugal would like to have a Treaty completed in 1983 and would then be prepared to "wait for a few months" to see how the Spanish negotiations were going. Mr Freitas Do Amaral himself is reported as specifying 12/18 months (Lisbon tel 193 at Annex).

7. We wish to see both sets of negotiations move forward and to promote the ideas of unlinking in the near future would merely reduce the pressure on other Community members (especially France) to make this possible, as well as sending the wrong signal to the new Spanish Government. There is in any case no need to address the problem now.

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FM LISBON 081645Z NOV 82
TO IMMEDIATE FCO
TELEGRAM NUMBER 193 OF 8 NOVEMBER

MY TELNO 192: VISIT OF PORTUGUESE VICE PRIME MINISTER

1. IN A CONVERSATION WITH FREITAS DO AMARAL BEFORE HE LEFT LISBON THIS AFTERNOON EN ROUTE FOR LONDON, HE TOLD ME HE WOULD WANT TO DISCUSS WITH MRS THATCHER THE RELATIONSHIP BETWEEN THE PORTUGUESE AND SPANISH NEGOTIATIONS FOR ACCESSION TO THE COMMUNITY. COMMISSION OFFICIALS HAD TOLD PORTUGUESE NEGOTIATORS THAT THEY REGARDED UP TO 80 PER CENT OF PORTUGUESE NEGOTIATIONS AS NOW BEING COMPLETE, OR VIRTUALLY COMPLETE. HOWEVER, ONLY SOME 10 PER CENT OF SPANISH NEGOTIATIONS HAD REACHED THE SAME STAGE. FREITAS DO AMARAL CONFIRMED THAT PORTUGAL'S IMMEDIATE OBJECTIVE WAS TO OBTAIN A SIGNED TREATY, IF POSSIBLE IN FIRST HALF OF 1983. THEREAFTER PORTUGAL WOULD BE PREPARED TO WAIT A WHILE FOR SPAIN BUT (FOR PORTUGUESE INTERNAL POLITICAL REASONS) NOT BEYOND 12 TO 18 MONTHS. THE TWO NEGOTIATING PROCESSES WERE SEPARATE AND WOULD BE SEEN AS SUCH. BRACKETTING FOR ADMINISTRATIVE REASONS WAS ACCEPTABLE FOR THE TIME BEING BUT IF IT BECAME CLEAR THAT IT WOULD IMPOSE MORE THAN 18 MONTHS' DELAY ON PORTUGUESE ENTRY QUESTION OF DE-LINKING SHOULD BE EXAMINED.

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PS

PS | MR HURD

PS | LORD BELSTEAD

PS/PUS
SIR J BULLARD
MR WRIGHT
MR GOODISON
MR HANNAY
CABINET OFFICE

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VISIT OF THE PORTUGUESE VICE PRIME MINISTER: 10 NOVEMBER 1982

EAST TIMOR

LINE TO TAKE

1. Agree draft resolution a good deal better in tone than those of previous years.
2. But it still presents a number of textual difficulties. For example, it still seems to equate self-determination with independence. Portuguese surely don't expect or want an independent East Timor under Fretilin?
3. Expect EC partners (except Greece) to abstain. If confirmed, we shall instruct our delegation to do likewise and to make an explanation of vote which recognises that sponsors have made a genuine effort to break away from the sterile character of past UN exchanges and expresses hope resolution will advance prospects of solution acceptable to all parties concerned.

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BACKGROUND

1. Indonesia took over the Portuguese colony of East Timor in 1975, following its effective abandonment by the Portuguese. The Portuguese accept that they face a fait accompli but they have not formally ceded sovereignty. We have not given even de facto recognition of Indonesia's absorption of East Timor - unlike the United States, Australia and some others. Following the invasion we supported Security Council resolutions condemning Indonesia. But we have abstained at the UN since 1976, in common with all of the Ten but Greece, since to vote for or against must offend either Portugal or Indonesia, both of whom are friends.

2. The Portuguese are co-sponsoring in the UN a draft resolution in an effort to find a face-saving compromise. The tone of the draft is less confrontational than that of resolutions on which we have abstained. But the Indonesians will dislike the references to Portugal as an administering power (one cannot anyway claim that this is accurate) and to the right of the people of East Timor to self-determination (the Indonesians claim that a valid act of self-determination has already taken place) and independence. We do not like the implication that self-determination must lead inexorably to independence. Nor does it square with Portuguese assurances that they only want a legitimation of the status quo (the alternative being a radical left wing independence movement (Fretilin) bred in the same stable as those now in power in Angola and Mozambique). The Portuguese have asked us to support 'their' resolution, arguing that others of the Ten are disposed to do so. Latest information from UKMIS New York suggests this is not in fact so and that the Ten's voting pattern is likely to be unchanged. The vote is not expected before the end of the week. The Portuguese will be pleased by our explanation of vote which meets a request made earlier by the Portuguese Ambassador.



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4. The Portuguese Vice Prime Minister may point to a parallel with the Falklands. But clear differences between East Timor and Falklands include:

- a) Portuguese colonisers in East Timor always distinct from local people; accounted for less than 1% of the population;
- b) The Portuguese had set decolonisation under way before invasion;
- c) No wish in East Timor to remain Portuguese territory;
- d) Indonesia invaded only after breakdown of law and order.

5. The only viable solution is for recognition that East Timor is now part of Indonesia. That requires direct discussion between Indonesia and Portugal. We hope the new draft resolution will make this more likely, but have to be sceptical.

Foreign and Commonwealth Office
9 November 1982

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FCS/82/172

SECRETARY OF STATE FOR DEFENCE

Pine Mureto

DA

27/10

Frigates for Portugal

1. As you will know, the Portugese Vice Prime Minister and Defence Minister, Professor Freitas do Amaral, has recently suggested once again that we should contribute to the NATO programme for the supply of frigates to Portugal by subsidising the provision of Lynx helicopters. He spoke of a grant of \$49 million over 6-8 years, most of it for Lynx helicopters, and of total expenditure in the UK of \$85 million (Lisbon telno 161).
2. I believe that we should have another look at this question and see to what extent it might be possible to meet the Portugese request. We must in any case respond soon. If we can give the Portugese a positive answer in principle, the Prime Minister might do this when Professor Freitas do Amaral calls on her on 10 November. If we cannot help we should avoid keeping false hopes alive and tell the Portugese so before that meeting.
3. As I understand it, the background is as follows. Until recently, HMG's involvement in the NATO programme has been limited to providing good offices in dealings between the Portugese authorities and British firms which might supply equipment for the frigates, together with ECGD cover for any contracts which might ensue. We have not offered any funds to the Portugese, either directly or as aid to the commercial firms involved. Rolls Royce had offered to supply turbines at a reduced price. But last April the Portugese turned this down in favour of German and American engines and the offer, together with favourable ECGD cover, was subsequently withdrawn.
4. It has always been made clear to the Portugese that, in the absence of any British military aid programme of the kind that eg the US and the FRG operate, HMG have no official funds for use

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this sort of case. Despite this, the Portugese have been pressing us since last May to supply the frigates with Lynx helicopters for anti-submarine warfare purposes. The suggestion was made originally by the former Portugese Foreign Minister, Professor Goncalves Pereira, and has since been reiterated on several occasions in NATO, at bilateral meetings and now by the Vice Prime Minister. The Portugese have strongly implied that they see British help on this question not only as normal, given the NATO programme for equipping Portugal with frigates, but also as a return for Portugese cooperation and support given to Britain during the Falklands operation. We have not yet given the Portugese a definitive answer to this latest request and officials have been considering what might be done to meet it. So far, however, they have not been able to identify any source of funds.

5. The NATO argument is that Portugal's maritime role in the Eastern Atlantic should be improved by the addition of modern and effective frigates. I imagine that this would help us in exercising our own maritime role in the Eastern Atlantic. The US, FRG, France and the Netherlands are contributing significantly to the programme. If we do not, we shall be the exception among our major NATO partners, and I suppose there is a risk that the programme as a whole might founder in the absence of the anti-submarine warfare capacity provided by the Lynx helicopters.

6. The Falklands factor is that the Portugese were in fact very helpful to us during the operation, despite the political risks to some 50,000 Portugese in Argentina. The Portugese Government issued statements of support for Britain and, at the UN, they strongly condemned aggression and support Security Council Resolution No 502. More important, they quickly authorised some hundreds of overflights of their Madeira airspace by British military aircraft on the way to the South Atlantic and agreed to

/our



our use of the military airfield at Lajes in the Azores, although this facility was seldom used. I understand that this cooperation was of considerable operational value to us.

7. If we do not help there may be penalties either in the event of another emergency when we have to call on the Portuguese, or in normal times. We make use of a number of military facilities in Portugal: training areas, airfields, and ports of which the Royal Navy is the largest user. Up to now we have enjoyed complete cooperation with the Portuguese in these fields and over routine clearances for ships and aircraft. This could be prejudiced if we do nothing to help with the frigate/helicopter programme.

8. Against this background, I should be grateful if the Portuguese request could be looked at again in its complete context. The suggestion of \$49m is of course quite unrealistic. But we could go a long way towards meeting Portuguese aspirations if you were able to offer from MOD funds a free gift of 2 Lynx helicopters, worth about £6 million, as well as favourable financing terms for the rest of the package.

9. I am copying this minute to the Prime Minister, the Chancellor of the Exchequer and the Secretary of the Cabinet.

(FRANCIS PYM)

Foreign and Commonwealth Office
29 October 1982



EU
Portugal

10 DOWNING STREET

From the Private Secretary

30 September, 1982

VISIT BY THE PORTUGUESE DEPUTY PRIME MINISTER

Thank you for your letter of 21 September. I gather that since you wrote Professor Diogo Freitas Do Amaral has changed his dates and would now like to come the following week.

B/F
The Prime Minister will be happy to receive him here on Wednesday, 10 November at 1445 for half an hour. Could your brief please reach us by close of play on Monday, 8 November.

A. J. COLES

Francis Richards, Esq.,
Foreign and Commonwealth Office

6



Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister:

21 September 1982

Dear John,

Agree to see
 Professor Freitas Do
 Amaral?
 H 22/9.

Yes

Visit by the Portugese Deputy Prime Minister

Professor Diogo Freitas Do Amaral, the Portugese Deputy Prime Minister and Leader of the Portugese Conservative Party, is coming to London to give a speech on 4 November at the annual dinner of the Anglo-Portugese Society. He has asked through the Portugese Embassy for a meeting with the Prime Minister while he is in London.

Professor Freitas Do Amaral feels instinctively close to the British Conservative Party. He addressed the Party Conference in 1978. His own party is part of the ruling coalition in Portugal and his personal influence appears to be growing. Professor Freitas Do Amaral is also Defence Minister and will have been influential in encouraging Portugese support for the UK during the Falklands operation when they were especially helpful in authorising flights over Madeira airspace and in public statements.

Against this background, the Foreign and Commonwealth Secretary recommends that the Prime Minister should agree to see Professor Freitas Do Amaral in the context of his visit to London. I understand that the diary is full from 3-5 November, which would be the preferred dates for the Portugese, but that it might be possible to arrange a time on 2 November.

Yours over.

(F N Richards)
 Private Secretary

A J Coles Esq
 10 Downing Street

file

a.c.o BK

L. Nyar

25 July 1980

Pre-accession aid for Portugal

Further to your letter to me of 24 July, I enclose the signed original of the Prime Minister's message to Dr. Sa Carneiro. As you will see this is a slightly amended version of the draft enclosed with your letter.

I am sending a copy of this letter and enclosure to David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

Paul Lever, Esq.,
Foreign and Commonwealth Office

SUBJECT



cc FCO BK
CO 2417

cc Master
Ops

Euro PR: March 1980:

10 DOWNING STREET *Enlargement of the EC*

THE PRIME MINISTER

25 July 1980

**PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T150/80**

Dear Prime Minister,

Thank you for your message of 15 July about Community pre-accession aid for Portugal.

Your message and those sent to the Foreign and Commonwealth Secretary by Professor Freitas do Amaral, brought out very clearly the immense political importance which you and your colleagues attach to this issue. It was with this in mind that we were able, together with our Community partners, to agree at the Foreign Affairs Council on 21/22 July to offer aid, including both a loan and a grant element, in the terms which have now been communicated to your Government. I hope that the decision will have been welcome and helpful to you.

It was however a difficult decision for us to take. We are having to apply severe constraints to public expenditure generally. Our existing aid programme, from which the British share of any grant assistance to Portugal has to come, is under considerable pressure. These factors will inevitably limit the extent of our ability to contribute to a Community programme of the kind envisaged. We shall of course do our best to help: but I hope you will bear our own very real difficulties in mind when we discuss in the autumn the details of the aid package.

(sgd) MT

His Excellency Dr. Francisco S Carneiro

CONFIDENTIAL

Portugal



Foreign and Commonwealth Office

London SW1A 2AH

Type for signature, as amended.

24 July 1980

Dear Michael,

Message from the Portuguese
Prime Minister

As requested in your letter of 15 July I enclose a draft reply to the Portuguese Prime Minister's message about pre-accession aid. As I explained last week, we thought it better to delay replying until after the Foreign Affairs Council on 21/22 July because of the difficulty which the proposal for pre-accession aid gave the UK and because Ministerial exchanges were continuing in Whitehall. At the Council there was in the end only a decision in principle in favour of pre-accession aid, with which we were able to go along.

I should be grateful if you would let me know as soon as the Prime Minister has approved the reply so that our Ambassador at Lisbon can be instructed to hand it over.

I am sending a copy of this letter and its enclosure to David Wright (Cabinet Office).

Yours etc

Paul

(P Lever)
Private Secretary

Michael Alexander Esq
10 Downing Street
London

CONFIDENTIAL

24 JUL 1980

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DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:
PRIME MINISTER

Reference

DEPARTMENT: TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret-
- Secret-
- Confidential
- Restricted
- Unclassified

Snhr Francisco Sa Carneiro
Prime Minister of Portugal

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

CAVEAT.....

Thank you for your message of 15 July about Community pre-accession aid for Portugal.

Your ^{message} ~~letter~~ and those sent to the Foreign and Commonwealth Secretary by Professor Freitas do Amaral, brought out very clearly ~~to us~~ the immense political importance which you and your colleagues attached ~~to~~ to this issue. It was with this in mind that we were able, together with our Community partners, to agree at the Foreign Affairs Council on 21/22 July to offer aid, ^{including} in the form both of ^a loans and ^a of grants, ^{element} in the terms which have now been communicated to your Government. I ^{hope} ~~am sure~~ that ^{the} this decision will have been welcome and helpful to you.

^{ll} This was however a difficult decision for us to take. The ~~constraints~~ ^{severe constraints} we are having to apply to public expenditure generally, and the ~~pressure on~~ and ~~commitments in~~ our existing aid programme, ^{from} which the British share of any grant assistance to Portugal has to come, ^{is under considerable pressure. These factors} will inevitably limit the extent of our ability to contribute to a Community programme of ^{the envisaged} ~~this~~ kind. We shall of course do

/our best

Enclosures—flag(s).....

our best to help: but I hope you will bear our
own very real difficulties in mind when we discuss
in the autumn the details ~~and scale~~ of the grant
~~element of pre-accession aid.~~ *package.*

file cc: CO

1812

BF 18/7.80

15 July 1980

I enclose a copy of a message received by the Prime Minister this afternoon from the Prime Minister of Portugal. I should be grateful for the draft of a reply which the Prime Minister might send to Dr. Sa Carneiro. It would be helpful if this could reach me by close of play on Friday 18 July.

I am sending a copy of this letter and its enclosure to David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

Paul Lever, Esq.,
Foreign and Commonwealth Office

File 512

15 July 1980

Thank you for your letter of today's date covering a message to the Prime Minister from the Portuguese Prime Minister. I have of course drawn Dr. Sa Carneiro's message to the Prime Minister's immediate attention.

M. O'D. B. ALEXANDER

Senhor J.M. de Macedo



EMBAIXADA DE PORTUGAL

London, 15th July, 1980

Proc. 2,212

No. 40

Dear Sir,

I am enclosing a message received by telex today, the 15th, from the Portuguese Prime Minister with instructions that the message should be forwarded immediately to the British Prime Minister.

I would, therefore, be most grateful if you could bring the said text to the attention of the Prime Minister as soon as possible.

Yours faithfully,

(J. M. de Macedo)

Counsellor

The Private Secretary,
Office of the Prime Minister,
10 Downing Street,
London, S.W.1.



EMBAIXADA DE PORTUGAL

Copied to :-
EURO FOR: Enlargement.
March 1980

MESSAGE

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T142/80
SUBJECT

Dear Prime Minister,

A decision is to be taken by the Council of Ministers of the EEC next Tuesday, the 22nd of July, in Brussels, on pre-accession aid to Portugal.

You will recall that the Portuguese Deputy Prime Minister and Minister for Foreign Affairs talked about this during the official meeting with you on the 19th May, in Downing Street.

All the details are well known to your government, but I would like to stress how important it is for us that a positive decision is taken.

Full democracy and stability in Portugal are not yet entirely achieved and we very much need to reinforce them with a clear and positive act of European solidarity in order to strengthen our economic and social structures.

After President Giscard's statements, which have had a very negative impact on Portuguese public opinion, if we get now a negative decision on pre-accession aid I very much fear for the whole idea of Europe and of our integration in the EEC. We invested a lot, politically, in this issue because the whole concept of pre-accession aid was first suggested to us by the EEC itself and therefore we never thought that a veto could be subsequently possible at the moment of the final decision.

We have, however, been informed that the only member country who might oppose a positive decision next week in Brussels is Britain.

I don't need of course to stress to you how big a damage it would cause to the long lasting friendship and alliance between Britain and Portugal that an eventual veto on pre-accession aid to Portugal should come from Britain.

I am sure you fully understand the meaning and implications of this issue. I ask you to look at it in a favourable way and to give a positive answer to our case. I entirely count on your solidarity towards Portugal.

Yours sincerely,

Francisco Sa Carneiro
Prime Minister of Portugal

15 July 1980



KS
c/o Portugal

10 DOWNING STREET

THE PRIME MINISTER

16 June 1980

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. 1129/80

ced. PM's Tans Abroad:

*Overseas visits Govt
invites: April 79.*

Dear Prime Minister

Many thanks for your kind message, which was forwarded by your Embassy here on 3 June. I am delighted to hear of your good recovery and of your intention to complete your schedule of visits to Community capitals and Athens. I would be interested to hear your impressions, particularly after your visit to Paris on 1 July. As you know, the British Government will continue to give full support to achieving the timetable you have in mind for Portuguese accession.

I too would very much welcome the opportunity to resume our discussions and to have the sort of thorough talk which your accident prevented our having on 19 May. I am delighted to accept your kind invitation to Lisbon. Unfortunately I could not get away before the summer break and I fully understand that you will be occupied with the electoral campaign during September. Might we fix a date as soon as possible thereafter?

Yours sincerely

(sgd) Margaret Thatcher

His Excellency Dr. Francisco Sá Carneiro

KS

PRIME MINISTER

I enclose a draft reply for you to send to the Prime Minister of Portugal.

The Foreign Office have drafted on the assumption that you will not be able to make room for a brief visit in July. August is a holiday month for Portugal and September has to be excluded because of their election campaign. For this reason, dates are left open. But the Foreign Office would be delighted if you felt you were able to visit before August - see note below the draft.

"Dear Prime Minister"

A handwritten signature in dark ink, appearing to be 'MAD' with a flourish at the end.

13 June 1980

2pps



Foreign and Commonwealth Office

London SW1A 2AH

12 June 1980

cc'd. PM's tour abroad: Govt invited:
April 79

Dear Michael,

Portugal: Invitation to the Prime Minister

Thank you for your letter of 4 June enclosing a copy of a message received by the Prime Minister from the Prime Minister of Portugal and asking for a draft reply. I enclose such a draft. You may wish to send it via the Portuguese Embassy, in response to their letter of 3 June, letting me have a copy.

The Foreign and Commonwealth Secretary's advice about visiting Portugal was contained in paragraph 4 of our letter of 6 June. As Dr Sa Carneiro himself has now said, September has to be excluded because of the Portuguese election campaign. The choice is between a short visit this month or next (August should be excluded as being a dead month in Portugal), and accepting the invitation in principle, leaving dates to be fixed after the election. Dr Sa Carneiro would evidently prefer an early visit, doubtless considering that it would improve his electoral standing as well as fitting in to his programme of consultations with European leaders. The enclosed draft assumes that the Prime Minister would not wish to make a special effort to go to Lisbon at short notice, but Lord Carrington would see no reason to hesitate if the Prime Minister wanted to go. Our relations with Dr Sa Carneiro's government are excellent; Lord Carrington would welcome it if the government was re-elected in the autumn; a visit in June or July would be sufficiently far ahead of the elections to make it easy to answer any charges of interference.

There would be advantage, following the remarks recently made by the French President about enlargement, in including a reaffirmation of British support for Portuguese accession in any message to Dr Sa Carneiro and the enclosed draft accordingly includes such a statement.

yours ever
Roderic Lyne

PP (P Lever)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

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122 MON 1957
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5 6 7 8 9



File Portugal ds

8F. 13/6-80

4 June 1980

I enclose a copy of a message received by the Prime Minister from the Prime Minister of Portugal. I should be grateful to receive in due course the draft of a reply which the Prime Minister might send to Senhor Sá Carneiro. Consideration of the contents of the reply can perhaps wait until the Prime Minister has considered the advice you are, I hope, about to tender on the Prime Minister's programme of overseas visits later this year.

MICHAEL ALEXANDER

Paul Lever, Esq.,
Foreign and Commonwealth Office.

GK

4 June 1980

Thank you for your letter of 3 June covering a message to the Prime Minister from the Prime Minister of Portugal. I will of course ensure that Senhor Sá Carneiro's message is brought to the Prime Minister's immediate attention.

MICHAEL ALEXANDER

Senhor J.M. de Macedo

Embaixada de Portugal
em
Londres

3rd June, 1980

Immediate

Proc. 41

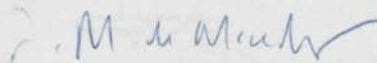
Nº...

Dear Sir,

I am enclosing herewith a translation of a letter received today the 3rd of June by cable, from the Portuguese Prime Minister Senhor Francisco Sá Carneiro and addressed to the British Prime Minister. The original letter will be sent to you as soon as it arrives by diplomatic pouch.

2. I would appreciate it very much if you would be kind enough to bring to the knowledge of Your Prime Minister, at your convenience, the contents of this translation.

Yours faithfully,



(J.M. de Macedo)

Counsellor

The Private Secretary
The Office of The Prime Minister
10, Downing Street
London SW1

Embaixada de Portugal
em
Londres

11th June, 1980

Proc. 2,212

nº 117

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No.

Dear Mr. Alexander

Thank you for your letter of 4 June informing me that the message of Mr Sã Carneiro was to be brought to the immediate attention of the Prime Minister. I am now enclosing the original of the letter received today the 11th June by diplomatic pouch.

2. I beg leave to avail myself of this opportunity to enclose equally a letter addressed to the British Prime Minister as received from the Portuguese Deputy Prime Minister and Minister of Foreign Affairs, Mr Freitas do Amaral.

Yours sincerely
J. M. de Macedo

(J M de Macedo)
Counsellor

The Private Secretary,
The Office of the Prime Minister,
10, Downing Street,
London SW1



PRESIDÊNCIA DO CONSELHO DE MINISTROS

Gabinete do Primeiro Ministro

The RT HON Margaret Thatcher
Primeiro Ministro

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T117/80

Lisboa, 2 de Junho de 1980

De regresso a Lisboa da recente viagem ao Reino Unido, peço que aceite os meus melhores agradecimentos pela atenção que quiz ter ao visitar-me e quero exprimir a muita satisfação pela forma como decorreram as conversações que se seguiram, em Londres.

Espero em breve estar recuperado de forma a poder completar a visita programada às capitais da CEE e a Atenas.

Aproveito esta oportunidade para reafirmar a vontade de Portugal em cooperar com o Reino Unido, no quadro das Instituições Europeias e no reforço dos valores básicos da democracia e liberdade.

Teria muito gosto em que pudessemos, em breve, reatar o diálogo que não foi possível continuar em Londres.



PRESIDÊNCIA DO CONSELHO DE MINISTROS

Gabinete do Primeiro Ministro

Sei que o seu calendário é muito apertado, mas é contando com o seu interesse que tenho o prazer de a convidar para uma visita a Lisboa, que suponho infelizmente terá de ser de curta duração.

Dado que o mês de Setembro será muito ocupado com a campanha eleitoral, proponho que a visita se realize antes dessa data.

Renovando os meus agradecimentos pela sua atenção em Londres, apresento os meus melhores cumprimentos.

Francisco Sá Carneiro
Primeiro-Ministro



MINISTÉRIO DOS NEGÓCIOS ESTRANGEIROS

Gabinete do Ministro

Dear Prime Minister:

On my return to Lisbon, I would like to express my gratitude to you, dear Prime Minister, for the hospitality given to me and the portuguese delegation in such a delicate situation arisen after the accident suffered by Dr. Sá Carneiro.

All the care and support you kindly offered on that occasion was more than a compensation for the unpredictable happening.

Portugal's special relation with England is once more strengthened after our meeting and I hope that our entry in the EEC will make possible a lasting cooperation between our two countries, for the benefit of the future of Europe.

Yours very truly

Diogo Freitas do Amaral.

(Diogo Freitas do ~~Amaral~~)

Vice Prime-Minister and
Minister of Foreign Affairs

The RT Hon Margaret Thatcher
Prime Minister



T117/80

EMBAIXADA DE PORTUGAL

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T117/80

TRANSLATION OF A MESSAGE FROM THE PORTUGUESE PRIME MINISTER

TO MRS THATCHER, RECEIVED BY CABLE ON 3RD JUNE, 1980

"Back in Lisbon from my recent visit to the United Kingdom I would like you to accept my most sincere thanks for your kindness in coming to see me at the Hotel and to express my satisfaction for the way in which the meetings that took place in London have proceeded.

I hope to be, in the near future, well enough to complete the visit to all EEC capitals and Athens as originally scheduled.

I would take this opportunity to stress again Portugal's will to co-operate with the United Kingdom within the framework of the European institutions and to strengthen the basic values of democracy and freedom.

It would give me great pleasure to resume, shortly, the dialogue we were not able to continue in London.

I know how full your calendar must be, but it is in the hope that you may be able to overcome all difficulties that I have the pleasure to invite you to make a visit to Lisbon however short. Since the month of September will be very busy on account of the Portuguese electoral campaign I would suggest that it might take place before that date.

I renew my thanks for the kindness bestowed upon me in London and beg you to accept my best compliments.

signed) Francisco Sá Carneiro
Prime Minister of Portugal. "

Portugal

RESTRICTED

GRS 123
RESTRICTED
FM LISBON 021610Z JUN 80
TO PRIORITY FCO
TELEGRAM NUMBER 134 OF 2 JUNE 1980

The report for which
you asked.

Ant

PORTUGAL : THE PRIME MINISTER'S HEALTH.

1. THE PRIME MINISTER'S OFFICE HAVE CONFIRMED THAT SA CARNEIRO INTENDS TO BE BACK AT HIS DESK BY THE END OF THIS WEEK. HE IS ALREADY WORKING HARD AT HOME. THE INJURY HE SUSTAINED IN THE ROAD ACCIDENT IN LONDON HAS RESPONDED WELL TO TREATMENT BUT WE UNDERSTAND THAT HE WILL NEED TO UNDERGO FURTHER PHYSIOTHERAPY BEFORE HE IS FULLY FIT.

2. NEW DATES FOR VISITS TO EUROPEAN CAPITALS HAVE BEEN ARRANGED. PLAN IS TO VISIT THE HAGUE ON 18 JUNE AND PARIS ON 30 JUNE WITH OTHERS TO FOLLOW IN JULY.

3. WE UNDERSTAND PORTUGUESE AMBASSADOR WILL SHORTLY DELIVER LETTER TO PRIME MINISTER THANKING HER FOR VISIT AND EXTENDING SPECIFIC INVITATION FOR HER TO VISIT LISBON IN NEAR FUTURE.

SHAKESPEARE

[COPIES SENT TO NO 10 DOWNING STREET]

F I L E S

- SED
- ECD (E)
- NEWS D
- P & C D
- PS
- PS/LPS
- PS/PUS
- SIR D MAITLAND
- MR BULLARD
- MR FERGUSSON
- MR HANNAY
- LORD BRIDGES
- CABINET OFFICE

mt

RESTRICTED

Portugal

FILE

THP

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

22 May 1980

Visit of the Portuguese Deputy Prime
Minister: 19 May 1980

I enclose a record of the discussion in plenary session between the Prime Minister and Professor Freitas do Amaral, which took place here on 19 May.

I am sending a copy of the entire record to David Wright (Cabinet Office), of the first half of the record to Stuart Hampson (Department of Trade) and Susan Unsworth (ODA) and of the second part of the record to Brian Norbury (Ministry of Defence).

M. O'D. B. ALEXANDER

Paul Lever, Esq.,
Foreign and Commonwealth Office

CONFIDENTIAL

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CONFIDENTIAL

GRS 333
CONFIDENTIAL
FM LISBON 211200Z MAY 80
TO PRIORITY FCO
TELEGRAM NUMBER 141 OF 21 MAY 1980

VISIT OF PORTUGUESE LEADERS.

1. I WENT TO THE AIRPORT YESTERDAY TO WELCOME BACK PROF FREITAS DO AMARAL AND THE REST OF THE PORTUGUESE PARTY. I HAD MET SA CARNEIRO ON HIS RETURN THE DAY BEFORE. FREITAS TOLD ME THAT IN SPITE OF THE UNFORTUNATE ACCIDENT THE VISIT HAD BEEN EXTREMELY USEFUL. IN A STATEMENT TO THE PRESS HE SAID THAT THE PORTUGUESE HAD BEEN GIVEN CLEAR CONFIRMATION OF BRITISH SUPPORT FOR PORTUGUESE EC ENTRY AND FOR THE ESTABLISHED TIMETABLE FOR NEGOTIATIONS. THE BRITISH SIDE HAD EXPRESSED THE HOPE THAT SIGNATURE OF THE TREATY OF ACCESSION WOULD TAKE PLACE DURING THE NEXT BRITISH PRESIDENCY. ON TEXTILES HE HAD NOTED A GREAT WILLINGNESS ON BEHALF OF BRITAIN TO SOLVE EXISTING PROBLEMS BUT THE PORTUGUESE POSITION REMAINED THAT THEY COULD NOT ACCEPT QUANTITATIVE RESTRICTIONS ON PORTUGUESE EXPORTS.

2. ALMEIDA MENDES TOLD ME AT THE AIRPORT THAT THE TALKS ON TEXTILES HAD BEEN MOST USEFUL. HE ADDED THAT THEY HAD ALSO HAD A VERY INTERESTING DISCUSSION ON FISHERIES, AN AREA WHERE BRITAIN COULD BE HELPFUL TO PORTUGAL DURING THE ACCESSION NEGOTIATIONS.

3. ALTHOUGH THE GOVERNMENT ARE CLEARLY DISAPPOINTED WITH THE WAY THINGS HAVE TURNED OUT THERE HAS BEEN NO OFFICIAL DISPOSITION TO CRITICIZE US. THE GOVERNMENT'S IRRITATION SEEMS TO HAVE BEEN DIRECTED MORE AT THE FRENCH FOR THEIR DECISION TO CANCEL THE VISIT TO PARIS. IT IS CLEAR THAT THE DECISION TO CANCEL THE REST OF THE TOUR WAS TAKEN TO DISGUISE THE FRENCH SNUB.

4. THERE HAVE BEEN SUGGESTIONS IN THE PORTUGUESE PRESS THAT THE ACCIDENT COULD HAVE BEEN AVOIDED IF THE PARTY HAD BEEN GIVEN A POLICE MOTORCYCLE ESCORT. WE HAVE TAKEN THE LINE THAT IT IS NOT USUAL ON THIS TYPE OF JOURNEY FOR AN ESCORT TO BE PROVIDED. THE POINT HAS NOT BEEN RAISED AT OFFICIAL LEVEL.

CONFIDENTIAL

/5. WHEN I

CONFIDENTIAL

5. WHEN I SAW SA CARNEIRO AT THE AIRPORT HE WAS CLEARLY IN GREAT DISCOMFORT BUT PUT ON A BRAVE FACE FOR THE PRESS. HE HAS BEEN ORDERED TO STAY IN BED FOR TEN DAYS. WE KNOW THAT THE SOCIAL DEMOCRATIC PARTY ARE PARTICULARLY CONCERNED THAT THE ACCIDENT WILL RAISE NEW DOUBTS ABOUT SA CARNEIRO'S HEALTH IN ELECTION YEAR. THEY WERE ALSO SLIGHTLY DISAPPOINTED THAT IT WAS FREITAS AND NOT SA CARNEIRO WHO WAS IN THE LIMELIGHT IN LONDON. NEVERTHELESS, THE PRIME MINISTER'S DECISION TO VISIT SA CARNEIRO IN HIS HOTEL ROOM AND HER KIND OFFER OF AN AIRCRAFT TO FLY HIM BACK TO PORTUGAL WERE BOTH APPRECIATED AND HAVE BEEN WELL PUBLICISED HERE.

6. WHAT WOULD PLEASE THE PORTUGUESE GOVERNMENT GREATLY WOULD BE IF THE PRIME MINISTER COULD FIND THE TIME TO VISIT PORTUGAL BEFORE THE ELECTIONS IN THE AUTUMN.

SHAKESPEARE

FCO/WHITEHALL DISTN.

SED

[NOT ADVANCED]

2

CONFIDENTIAL

BF 4.6.80

21 May 1980

Portuguese Prime Minister

The Prime Minister has seen your letter to me of 20 May and was glad to learn the news of Dr. Sa Carneiro is relatively favourable. She would be grateful to have a further report on his progress in ten days or so.

M. O'D. B. ALEXANDER

Paul Lever Esq
Foreign and Commonwealth Office.

BB



Foreign and Commonwealth Office

London SW1A 2AH

20 May 1980

Dear Michael,

Portuguese Prime Minister

Dr Sa Carneiro successfully caught his TAP flight back to Lisbon at 14.20 yesterday. A surgical collar relieved the pain and enabled him to walk.

The British doctor who treated him, (and has treated his spinal problems frequently in the past), gave, as his prognosis, that eight to ten days rest would suffice to remove completely the ill effects of the accident in the short term; the long term outlook for his spine was, however, as uncertain as ever. He might eventually require an operation.

The Portuguese Embassy stressed that Dr Sa Carneiro had been extremely touched both by the Prime Minister's visit and by the offer of RAF transport.

Yours etc

(P Lever)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

20 MAY 1980

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25 26 27 28 29 30 31



COVERING CONFIDENTIAL

Foreign and Commonwealth Office

London SW1A 2AH

20 May 1980

L. P. [Signature]

Dear Michael,

Visit of the Portuguese Deputy Prime Minister:
19 May 1980

I enclose a draft record of the Prime Minister's meeting with Professor Freitas do Amaral. I suggest that, in addition to the FCO, the approved version of the record should be seen by the Department of Trade, the ODA (the first section) and the Ministry of Defence (the final section).

Yours etc

Paul

(P Lever)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

COVERING CONFIDENTIAL

RECORD OF A DISCUSSION BETWEEN THE PRIME MINISTER AND THE DEPUTY PRIME MINISTER AND FOREIGN MINISTER OF PORTUGAL (PROFESSOR FREITAS DO AMARAL), AT 10 DOWNING STREET ON 19 MAY 1980 AT 1200 HOURS

Present

The Prime Minister	Professor Freitas do Amaral, Deputy Prime Minister
The Foreign and Commonwealth Secretary	Dr Almeida Mendes, State Secretary for European Integration
Mr J L Bullard LOBO MORAN	Mr Freitas Cruz, Ambassador of Portugal
Mr D H A Hannay	Dr Rogeiro Martins, Economic Adviser to the Prime Minister
Mr M O'D B Alexander	Dr M Corte Real, Director of the Deputy Prime Minister's Office
Mr T L A Daunt	

Portuguese Accession to the European Community

After the Prime Minister had welcomed Professor Freitas do Amaral and discussed the road accident in which Prime Minister Sá Carneiro had been injured the previous day, offering to arrange for Dr Sá Carneiro to be flown home to Lisbon, she invited Professor Freitas do Amaral to speak about Portugal's policy over accession to the European Community.

Professor Freitas do Amaral said that accession was supported by all parties in Parliament except the communists. The Government had decided on taking office to accelerate the negotiations and wanted to keep to the schedule proposed in Brussels, under which Portugal would accede on 1 January 1983. He was much attracted by the idea of signing a Treaty of Accession during the British Presidency in the second half of 1981. He hoped for strong British support in meeting the timetable. The Foreign and Commonwealth Secretary said that his only hesitation concerned the formidable problems which might be raised by Spanish agriculture in the negotiations with Spain. The agricultural aspect of the negotiations with Portugal could be affected. Professor Freitas do Amaral said that the Portuguese situation was entirely different from that of Spain and must be kept quite separate. The Prime Minister said that Britain supported a timetable leading to

/Portuguese

Portuguese accession in January 1983. The political aspect was even more important than the economic. There could, however, be greater difficulties over negotiations with Spain.

Professor Freitas do Amaral emphasised that pre-accession aid was of the highest importance to Portugal. The ratio of per capita incomes between the richest and poorest regions of the Community was currently 1:6. Conditions in north-east Portugal meant that, following Portugal's accession, the ratio would be 1:12. A major effort was needed to improve the structure of the Portuguese economy. Specific proposals had been put to the European Commission covering agriculture, industry, vocational training and regional policy. The most important aspect was regional policy, in which the establishment of adequate ^{road} ~~radio~~ communications was the key. It would have considerable impact on public attitudes to the Community in Portugal. The 287 mua required from the Community to finance the scheme over 3 years was the equivalent of only one year's net revenue to Portugal from the Community post-accession. Illustrating the economic background to the request for pre-accession aid, Dr Almeida Mendes said that Portugal still imported 50% of her food; 32% of the working population, producing only 12% of GNP, was on the land. A major restructuring of Portuguese agriculture was needed. 96% of Portugal's imports arrived by ship; Portugal was in effect an island. There was an obvious need for improvements to the infrastructure. Professor Freitas do Amaral said that Portugal had to view accession as a means to accelerate economic development and could not accept indefinitely the role of the poor partner in whose country the richer members spent their holidays.

The Prime Minister said that the suggested scale of pre-accession aid might not be great in absolute terms but the Portuguese timing in asking for it was unfortunate. They would be aware of the current difficulties over Britain's Budget contribution. Britain and the Federal Republic were financing the Community despite the fact that Britain had a lower per capita income than most

/members

members. This situation could not be allowed to continue. The need to reduce public expenditure was in any case great. She could not be optimistic about giving the Portuguese Government satisfaction. The Foreign and Commonwealth Secretary said that Britain's net contribution to the Community in 1980 would be running at nearly twice the total overseas aid budget. Britain's aid went to countries much poorer than Portugal; most of it was spent through the multilateral agencies. It would be almost impossible to find a sum of about £30 million, which would be the British share of pre-accession aid on the scale suggested by Portugal. The idea of taking it away from bilateral aid programmes for very poor countries raised obvious difficulties. The Prime Minister said that Britain could not continue to transfer £1.5 billion per annum or more to richer countries in the Community. She had listened sympathetically to the Portuguese case for pre-accession aid but could do no more than note Professor Freitas do Amaral's statement that the matter was of vital importance to Portugal, and his hope that a satisfactory solution could be found.

Textiles

Professor Freitas do Amaral said that textiles ^{were} ~~was~~ a subject of vital importance both to Portugal and to Britain in the context of the former's negotiations with the Community. Following his talks earlier in the day with the Lord Privy Seal and the Trade Secretary, he believed that a solution could be found. He was not prepared to accept ^{it} quantitative restrictions as part of a Treaty but might contemplate a private understanding between industrialists. The Prime Minister said that the question was indeed of great importance to Britain, where 130,000 jobs in the textile industry had been lost in the past 5 years. Full and free access immediately could not be contemplated. She was glad to hear that a solution seemed feasible but whatever arrangements were made would have to stand up. As Professor do Amaral had indicated, the matter was not strictly speaking a bilateral one.

/Free Movement of Labour

Free Movement of Labour

Professor do Amaral said that the free circulation of labour was likewise a matter of importance to Portugal. There were already one million Portuguese workers in Community countries. He was not prepared to accept the Commission's proposal for a 10 year transition period and hoped for British support. The Prime Minister having said that she understood that a transition period of 7 years would be proposed, Mr Hannay said that the Commission had spoken of 7-10 years in its paper and Member Governments had not yet taken up any formal position. The Foreign and Commonwealth Secretary said that the problem now being presented by demands for greater freedom of movement for Turkish workers had affected the whole approach of Community Governments to the question. Dr Almeida Mendes said that unemployment was now about 8% in Portugal. This included those who remained unemployed from the total of nearly one million civilians and military who had returned to Portugal from the African colonies. Their reintegration had been remarkably swift and they constituted a potentially dynamic force in the Portuguese economy. This indeed pointed up the need for pre-accession aid.

International Affairs

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told Lord Carrington in Washington that his first priority was to bring the State Department back into Government. The Prime Minister said that it stood to reason that Mr Muskie's overriding objective would be re-election of Mr Carter and his Administration.

Military Facilities

Professor Freitas do Amaral said that the Portuguese Government had been asked by the United States to agree that military facilities in the Azores should be made available to US Forces in the event of an emergency in the Gulf. This request was outside the NATO framework, facilities having hitherto always been made available within it. He understood that Britain might have received analogous requests. No decision had yet been reached in Portugal. He would like to know what attitude Britain intended to take.

The Prime Minister said that a firm line could not be drawn between what concerned NATO and what did not. The test should be whether something strengthened the Western Alliance. It was necessary to take a global view. There was an obvious danger of the Alliance being outflanked. Britain was determined to help in every way possible, outside as well as inside NATO. The interests of the countries of the Western Alliance were directly involved, not least over securing supplies of raw materials. Britain still had control of a few islands around the world and intended to use them to best advantage. Answering a question, the Foreign and Commonwealth Secretary said that formal extension of the NATO area had to be ruled out, since Denmark and Norway would object. But it made no sense to confine one's interest to the NATO area. Some NATO Governments might take that attitude ^{but} it was important that the remainder should not.

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20 MAY 1980



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Portugal JW AS



a Martin Set

10 DOWNING STREET

From the Private Secretary

19 May 1980

Dear Paul,

Call by the Portuguese Deputy Prime Minister

As you know, the Portuguese Deputy Prime Minister, Professor do Amaral, called on the Prime Minister this morning. The Portuguese Prime Minister, Signor Carneiro, was not present because of the injury he incurred yesterday in a car accident on the drive to central London from Heathrow. Professor do Amaral was accompanied by Dr. Rui Almeida Mendes, Signor J. Freitas-Cruz, Dr. Corte Real and Dr. Rogerio Martins.

A separate record is being prepared covering the discussion in the Plenary Session which preceded lunch. Much of the discussion at lunch, which was attended by the Minister for Agriculture and Mr. Cecil Parkinson as well as by the Foreign and Commonwealth Secretary, was social in content. However some of the points made may be worth recording.

On the Portuguese internal situation, Professor do Amaral made little attempt to disguise the differences between his Government and President Eanes. He said that President Eanes preferred minority governments since these allowed him to exert his own influence. He would be opposing therefore the efforts of the present Government to consolidate its position.

On international affairs, Professor do Amaral said that the situation in Morocco was deteriorating. King Hassan was committed to outright victory over the Polisario. However, he would not be able to achieve it. The Polisario would continue to receive the backing of African governments who were committed to the principle that colonial borders were sacred. The Libyans had their own reasons for backing the Polisario. The Spanish Government had already decided that the Polisario would eventually win the war and that the King would be overthrown. They had ceased to support him and were multiplying the signs of their goodwill towards the Polisario. If he were overthrown it would be by the Moroccan Army. There was a real risk that such an upheaval would eventually result in the establishment of Soviet bases in Morocco, i.e. very close to the Straits of Gibraltar. This should be a matter of acute concern to NATO.

/The Foreign and Commonwealth

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The Foreign and Commonwealth Secretary, commenting that he had heard several reports that Colonel Qadaafi was himself in trouble in Libya, asked whether Professor do Amaral had any information on the situation there. Professor do Amaral said that he did not. He asked how the Foreign and Commonwealth Secretary saw the situation in the Persian Gulf. Lord Carrington replied that he thought the most urgent problem in the Middle East was the Arab/Israeli dispute. The Camp David process was exhausted and there was mounting impatience on the Arab side for progress. It would be difficult for the United States to make a new start in the period between now and the elections. On the other hand, the West would be very ill-advised to allow a gap of six or more months to elapse without any serious activity. Europe would have to try to do something though whether they would be able to do enough was not clear. There were signs that the French would go it alone if Europe did not agree to a joint effort. Mr. Parkinson commented that on his recent trip to the Middle East he had found a great deal of interest in an EEC initiative.

Lord Moran said that the Portuguese Prime Minister had told him at the airport of his concern about President Giscard's meeting with Mr. Brezhnev. The Prime Minister commented that such meetings were liable to give rise to hopes which could not be satisfied. The West's objective was to secure Soviet withdrawal from Afghanistan and on acceptable terms. Before going into Summit meetings, it was essential to be clear about what one wanted to achieve, how it was to be achieved, and whether one's allies were content. Herr Schmidt had consulted his allies, but the latest meeting had come as a surprise. The Foreign and Commonwealth Secretary remarked that President Giscard needed Mr. Brezhnev more than Mr. Brezhnev needed President Giscard. French foreign policy worked on two levels. In private the French were very firm in their condemnation of Soviet activity; in public they appeared more concerned about the reaction of the Gaullists on the one flank and the Communists on the other. It was frequently difficult to reconcile the substance of French policy with the posture of the Government.

Yours ever

Michael Alexander

Paul Lever, Esq.,
Foreign and Commonwealth Office.

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cc/ Master set
EURO POL :
Enlargement
March 1980

RECORD OF A DISCUSSION BETWEEN THE PRIME MINISTER AND THE DEPUTY PRIME MINISTER AND FOREIGN MINISTER OF PORTUGAL (PROFESSOR FREITAS DO AMARAL), AT 10 DOWNING STREET ON 19 MAY 1980 AT 1200 HOURS

Present:

The Prime Minister

Professor Freitas do Amaral
Deputy Prime Minister

The Foreign and Commonwealth
Secretary

Dr. Almeida Mendes, State
Secretary for European
Integration

Mr. J.L. Bullard

Lord Moran

Mr. Freitas Cruz, Ambassador
of Portugal

Mr. D.H.A. Hannay

Dr. Rogeiro Martins, Economic
Adviser to the Prime Minister

Mr. M.O'D.B. Alexander

Mr. T.L.A. Daunt

Dr. M. Corte Real, Director
of the Deputy Prime Minister's
Office

* * * * *

Portuguese Accession to the European Community

After the Prime Minister had welcomed Professor Freitas do Amaral and discussed the road accident in which Prime Minister Sa Carneiro had been injured the previous day, offering to arrange for Dr. Sa Carneiro to be flown home to Lisbon, she invited Professor Freitas do Amaral to speak about Portugal's policy over accession to the European Community.

Professor Freitas do Amaral said that accession was supported by all parties in Parliament except the communists. The Government had decided on taking office to accelerate the negotiations and wanted to keep to the schedule proposed in Brussels, under which Portugal would accede on 1 January 1983. He was much attracted by the idea of signing a Treaty of Accession during the British Presidency in the second half of 1981. He hoped for strong British support in meeting the timetable. The Foreign and Commonwealth Secretary said that his only hesitation concerned the formidable problems which might be raised by Spanish agriculture in the negotiations with Spain. The agricultural aspect of the negotiations with Portugal could be affected. Professor Freitas do Amaral said

/ that the

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that the Portuguese situation was entirely different from that of Spain and must be kept quite separate. The Prime Minister said that Britain supported a timetable leading to Portuguese accession in January 1983. The political aspect was even more important than the economic. There could, however, be greater difficulties over negotiations with Spain.

Professor Freitas do Amaral emphasised that pre-accession aid was of the highest importance to Portugal. The ratio of per capita incomes between the richest and poorest regions in the Community was currently 1:6. Conditions in north-east Portugal meant that, following Portugal's accession, the ratio would be 1:12. A major effort was needed to improve the structure of the Portuguese economy. Specific proposals had been put to the European Commission covering agriculture, industry, vocational training and regional policy. The most important aspect was regional policy, in which the establishment of adequate road communications was the key. It would have considerable impact on public attitudes to the Community in Portugal. The 287 m.u.a. required from the Community to finance the scheme over 3 years was the equivalent of only one year's net revenue to Portugal from the Community post-accession. Illustrating the economic background to the request for pre-accession aid, Dr. Almeida Mendes said that Portugal still imported 50% of her food; 32% of the working population, producing only 12% of GNP, was on the land. A major restructuring of Portuguese agriculture was needed. 96% of Portugal's imports arrived by ship; Portugal was in effect an island. There was an obvious need for improvements to the infrastructure. Professor Freitas do Amaral said that Portugal had to view accession as a means to accelerate economic development and could not accept indefinitely the role of the poor partner in whose country the richer members spent their holidays.

The Prime Minister said that the suggested scale of pre-accession aid might not be great in absolute terms but the Portuguese timing in asking for it was unfortunate. They would be aware of the current difficulties over Britain's Budget contribution. Britain and the Federal Republic were financing the Community despite the fact that Britain had a lower per capita income than most members. This situation could not be allowed to continue. The need to reduce

/ public expenditure

public expenditure was in any case great. She could not be optimistic about giving the Portuguese Government satisfaction. The Foreign and Commonwealth Secretary said that Britain's net contribution to the Community in 1980 would be running at nearly twice the total overseas aid budget. Britain's aid went to countries much poorer than Portugal; most of it was spent through the multilateral agencies. It would be almost impossible to find a sum of about £30 million, which would be the British share of pre-accession aid on the scale suggested by Portugal. The idea of taking it away from bilateral aid programmes for very poor countries raised obvious difficulties. The Prime Minister said that Britain could not continue to transfer £1.5 billion per annum or more to richer countries in the Community. She had listened sympathetically to the Portuguese case for pre-accession aid but could do no more than note Professor Freitas do Amaral's statement that the matter was of vital importance to Portugal, and his hope that a satisfactory solution could be found.

Textiles

Professor Freitas do Amaral said that textiles were a subject of vital importance both to Portugal and to Britain in the context of the former's negotiations with the Community. Following his talks earlier in the day with the Lord Privy Seal and the Trade Secretary, he believed that a solution could be found. He was not prepared to accept quantitative restrictions as part of a Treaty, but might contemplate a private understanding between industrialists. The Prime Minister said that the question was indeed of great importance to Britain, where 130,000 jobs in the textile industry had been lost in the past 5 years. Full and free access immediately could not be contemplated. She was glad to hear that a solution seemed feasible but whatever arrangements were made would have to stand up. As Professor do Amaral had indicated, the matter was not strictly speaking a bilateral one.

Free Movement of Labour

Professor do Amaral said that the free circulation of labour was likewise a matter of importance to Portugal. There were already one million Portuguese workers in Community countries. He was not

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- 4 -

prepared to accept the Commission's proposal for a 10 year transition period and hoped for British support. The Prime Minister having said that she understood that a transition period of 7 years would be proposed, Mr. Hannay said that the Commission had spoken of 7 - 10 years in its paper and Member Governments had not yet taken up any formal position. The Foreign and Commonwealth Secretary said that the problem now being presented by demands for greater freedom of movement for Turkish workers had affected the whole approach of Community Governments to the question. Dr. Almeida Mendes said that unemployment was now about 8% in Portugal. This included those who remained unemployed from the total of nearly one million civilians and military who had returned to Portugal from the African colonies. Their reintegration had been remarkably swift and they constituted a potentially dynamic force in the Portuguese economy. This indeed pointed up the need for pre-accession aid.

International Affairs

The Foreign and Commonwealth Secretary said that the meetings the previous week in Vienna had been useful in enabling the main Western Foreign Ministers to talk to Mr. Gromyko. Mr. Muskie and Mr. Gromyko had spent some 3 hours sizing each other up. His own impressions from his conversation of an hour or more with Mr. Gromyko was that the Soviet Union remained acutely uneasy over the international repercussions of its action in Afghanistan. The Soviet Government was attempting to reduce the pressures by demonstrating flexibility on peripheral issues, while determined to consolidate its position on essentials. Answering questions, Lord Carrington said that Mr. Muskie was much more of a politician than Mr. Vance. It had to be accepted that the US foreign policy would be increasingly affected by electoral considerations. It was however helpful that Mr. Muskie carried political weight. He had told Lord Carrington in Washington that his first priority was to bring the State Department back into Government. The Prime Minister said that it stood to reason that Mr. Muskie's overriding objective would be re-election of Mr. Carter and his Administration.

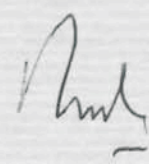
/Military Facilities

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Military Facilities

Professor Freitas do Amaral said that the Portuguese Government had been asked by the United States to agree that military facilities in the Azores should be made available to US Forces in the event of an emergency in the Gulf. This request was outside the NATO framework, facilities having hitherto always been made available within it. He understood that Britain might have received analogous requests. No decision had yet been reached in Portugal. He would like to know what attitude Britain intended to take.

The Prime Minister said that a firm line could not be drawn between what concerned NATO and what did not. The test should be whether something strengthened the Western Alliance. It was necessary to take a global view. There was an obvious danger of the Alliance being outflanked. Britain was determined to help in every way possible, outside as well as inside NATO. The interests of the countries of the Western Alliance were directly involved, not least over securing supplies of raw materials. Britain still had control of a few islands around the world and intended to use them to best advantage. Answering a question, the Foreign and Commonwealth Secretary said that formal extension of the NATO area had to be ruled out, since Denmark and Norway would object. But it made no sense to confine one's interest to the NATO area. Some NATO Governments might take that attitude but it was important that the remainder should not.




MR. ALEXANDER

c.c. Mrs. Goodchild

The two substitutes for the lunch today
are:

Dr. Corte Real: Private Secretary to
Deputy Prime Minister

Dr. Rogerio Martins: Economic Adviser
to Prime Minister.



19 May 1980

Prime Minister

Foreign and Commonwealth Office

London SW1A 2AH

16 May 1980

*Dear Michael,*Visit of Portuguese Prime Minister: 19 May 1980

This letter supplements and updates the briefs for Dr Sa Carneiro's visit.

The Portuguese National Olympic Committee yesterday announced its decision to send a team to the Moscow Games, contrary to the wishes of the Government. It is not clear - the Prime Minister might wish to ask - whether that is the end of the matter.

It was reported in the British press on 15 May that terrorists had attempted to kidnap the Portuguese Finance Minister. These reports are as yet unconfirmed. Coincidentally, arrangements have just been made for an SAS team to visit Portugal in June to assist in the training of the Portuguese anti-terrorist squad.

yours ever
Roderic Lyne

(R M J Lyne)
Private Secretary

M O' D B Alexander Esq
10 Downing Street
LONDON



Foreign and Commonwealth Office

London SW1A 2AH

15 May 1980

for briefing folder

Paul

Dear Michael,

Visit of Portuguese Prime Minister

/ As requested, I enclose briefs for the
Prime Minister's use in her talks with
Dr Sa Carneiro on 19 May. Personality notes
/ on the three Ministers are also enclosed.

Yours etc

Paul

(P Lever)
Private Secretary

Michael Alexander Esq
10 Downing Street
London



VISIT OF THE PORTUGUESE PRIME MINISTER: 19 MAY 1980

UK OBJECTIVES

1. (a) Strengthen the good personal relations with the leaders of the Portuguese Government, particularly in the context of the NATO and future Community partnerships.
- (b) Encourage the Portuguese Government in its robustly Western attitude to international affairs.
- (c) Reassure the Portuguese that the British Government will support their objective of speeding up EC accession negotiations while defending UK interests (notably on textiles).

LIKELY PORTUGUESE OBJECTIVES

2. (a) Enlist British support for keeping to EC accession schedule.
- (b) Confirm good personal relations and reassure UK of Portugal's strong Western orientation.
- (c) Secure flexibility in British position on textiles and pre-accession aid.
- (d) Good publicity.

BACKGROUND AND TACTICS

3. The visit is at Portuguese request, part of a tour of the Nine plus Athens. Dr Sá Carneiro and Professor Freitas do Amaral last visited Britain in November 1979 (before taking office), when they met the Prime Minister and the Foreign and Commonwealth Secretary. This contrasted favourably with their reception in other European capitals at that time, and got Anglo-Portuguese relations under the new Portuguese Government off to a good start. However, others are now making up lost ground: Dr Sá Carneiro and Professor Freitas do Amaral were

warmly received in Bonn, Copenhagen and Luxembourg during April. From London they go on to Paris, Brussels, Dublin and Athens, and in June to The Hague.

4. Dr Sá Carneiro and Professor Freitas do Amaral are keen to project themselves on the international as well as domestic scene; they face further elections in October. Should their Democratic Alliance win, they will be set fair to rule Portugal for the next four years, an outcome that would probably serve Western interests well; and Dr Sá Carneiro would emerge as the most significant Portuguese political leader since the 1974 revolution. It will therefore be important in domestic political terms if they can show that their European tour has advanced Portuguese interests in the negotiations for accession to the European Community - an objective supported by all Portuguese political parties except the Communists.

5. The Portuguese will have seen the Lord Privy Seal earlier in the day; the party less Dr Sá Carneiro himself will also have had a meeting with the Secretary of State for Trade and will call on the Minister of Agriculture after lunch.

6. Frank discussion, not only of the issues connected with Portuguese accession negotiations (likely to be dealt with over lunch) but also of current international questions should be possible. Dr Sá Carneiro is knowledgeable and shrewd and aspires to be treated seriously by leaders of the main Western democracies.

7. Both leaders speak good English and feel ideologically close to HMG; Professor Freitas do Amaral and his party have established links with the Conservative Party.

EC ISSUES (Brief Nos 2A and 2B)

8. The Portuguese will, above all, be seeking UK support for keeping the accession negotiations on schedule for Portuguese entry in January 1983. They can be assured of such support, but potentially difficult exchanges are in prospect on some detailed issues, particularly textiles (we want restrictions during the transitional period, although we have agreed with



the Commission that these need not necessarily be written formally into the accession treaty) and pre-accession aid (public expenditure cuts do not allow us to agree to EC aid on anything like the scale the Portuguese have requested or the Commission have proposed). Since one of the main UK interests in the enlargement negotiations is to secure satisfactory arrangements for Portuguese textile exports after accession, it would be useful to raise textiles from the British side in order to leave the Portuguese in no doubt of our determination.

9. The Portuguese will also wish to hear UK views on the situation in the Community generally, particularly on the question of the UK Budget contribution. They are worried (unnecessarily) that the current problems in the Community could cause delay in the accession timetable.

INTERNATIONAL AFFAIRS (Brief No 3)

10. Portugal is a member of the UN Security Council until the end of 1980 and has worked closely with the British delegation, being helpful on Zimbabwe. The Portuguese retain considerable knowledge of and interest in Southern Africa, and the ex-Portuguese territories of Angola and Mozambique in particular. Portugal also retains a legal and political interest in East Timor; the new Government is keen to reach a settlement with Indonesia. Portugal has continuing responsibility for Macau, matching UK/Hong Kong. The Chinese are generally cooperative, and the Portuguese have no particular current problems.

11. In other areas Portuguese knowledge of world affairs is not deep and Portugal counts for little. The Sá Carneiro Government have however taken an extremely staunch stand on the Soviet invasion of Afghanistan and over US hostages in Iran, and have been at pains to emphasise, despite some domestic criticism, that Portugal's first international priority is loyalty to her Western allies. The Portuguese Government

X
But the Olympic Committee appears to
have ignored the request. And

has supported the idea of an Olympics boycott and has asked the Portuguese national Olympic Committee not to send a team to Moscow. Portugal was the first NATO ally to respond to the US request for sanctions against Iran, announcing the intention to break all commercial and financial links until the Embassy hostages had been released. /X

BILATERAL RELATIONS

12. Apart from difficulties in the EC context over textiles, there are no serious bilateral problems. A hardy annual has been compensation for British farmers dispossessed at the revolution. This now appears to be on its way to solution; the present Portuguese Government recognises the need for early settlement and has promised that outstanding claims will be settled within a few months. A brief allusion to the subject should suffice. A further issue (not for raising by the UK side) is frigates. Portugal looks to the UK to provide aid in cash or kind for a NATO scheme to provide Portugal with three new frigates and thus enable her to maintain the deep sea anti-submarine warfare capability called for in NATO plans. The political/military case is strong; but the difficulty of providing the funds (UK share about \$36m) considerable.

Southern European Department
Foreign and Commonwealth Office

15 May 1980

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VISIT OF PORTUGUESE PRIME MINISTER 19 MAY 1980

PORTUGUESE ACCESSION TO THE EUROPEAN COMMUNITY

POINTS TO MAKE

TIMETABLE

1. Confirm UK support for early Portuguese entry. Hope that accession treaty might be signed during UK Presidency in second half of 1981, with entry on 1 January 1983 (the Portuguese objective).
2. Agree that Portuguese and Spanish negotiations should be conducted separately. If more complicated Spanish negotiations are delayed, no reason also to delay negotiations with Portugal, which in any case applied before Spain.

TEXTILES

3. Transitional arrangements essential for UK.
4. Do not want to freeze Portuguese exports at present levels, but to provide for reasonable growth rates leading to full free trade over, say, five years.
5. Hope Portuguese will be able to agree with Commission on figures below which safeguard action would not be taken by Community during transitional period. Risk of delaying accession negotiations if understanding cannot be reached quickly on these figures.

TRANSITIONAL PERIODS

6. Agree that in general transitional periods should be kept as short as possible. We have no difficulties over this in agricultural sectors or industrial sectors, textiles apart.
7. But Portuguese request for short period for free movement of labour poses problem for all Member States, France and Germany in particular. Community most unlikely to agree.

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PRE-ACCESSION AID

8. Sympathise but difficult for UK (overriding need to cut public expenditure, including aid budget) and for Community generally (pressure on Community Budget; economic recession).

9. Portuguese expectations of Community grant aid frankly unrealistic in present economic climate. But prospects for EIB loans better. Prepared to argue for this in Community if Portuguese wish.

BUDGETARY ARRANGEMENTS

10. Agree that transitional measures likely to be necessary. But doubtful about creating new mechanisms.

11. Would need to consider carefully any request for post-transition special arrangements.

BACKGROUND

PROGRESS OF NEGOTIATIONS

12. Accession negotiations began in October 1978. Now about half way through initial 'overall view' phase.

13. Portuguese want 'overall view' to be completed by July and subsequent detailed negotiations to be conducted speedily so that accession treaty could be signed in mid-1981, with (after ratifications) entry in January 1983.

14. UK supports proposed timetable. However, delays likely, particularly over agriculture and migrant labour (Commission and some Member States reluctant to let discussion of these topics with Portuguese get ahead of discussion with Spaniards for fear of setting inconvenient precedents). Portuguese worried that delay in Spanish negotiations will hold up their own.

TRANSITIONAL PERIODS

15. In general Portuguese want transitional periods to be as short as possible. Industrial trade between Portugal and Community already largely liberalised, so period for industry need not be long. Only on agriculture will Portugal need more than five years.

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16. Portuguese also want short period for migrant labour. Difficult for all Member States including UK (immigration and unemployment problems). French and Germans (worst affected) want 7 years or more (7 years agreed for Greece).

TEXTILES

17. Vital for Portuguese (32 per cent of total exports to Community in 1978).

18. Portugal second largest supplier of low-cost textiles to UK. Full free access for Portuguese textiles immediately on accession could seriously damage hard-hit UK industry (130,000 jobs lost in last 5 years. Still provides 800,000 jobs). UK is therefore seeking transitional arrangements providing for phased growth of Portuguese exports. But we expect to achieve this through understandings on levels at which safeguard action will be taken, rather than by means of a system of transitional quotas written into the Accession Treaty, which would be unprecedented and unacceptable to our partners.

19. UK insistence earlier this year on need for satisfactory transitional arrangements on textiles (against opposition from Commission and most Member States as well as Portuguese) held up negotiations on customs union. We eventually let negotiations proceed after Commission agreed to try to negotiate with Portuguese arrangements based on levels at which safeguard action would be taken. Embassy at Lisbon reports that the Portuguese still considering whether to accept such an arrangement. It would be useful to press Dr Sa Carneiro.

PRE-ACCESSION AID

20. The Portuguese, with Commission endorsement, have requested £172 million in grants from the Community (cost to UK would be about £30 million). Funds would be used to help with restructuring small industrial concerns, regional infrastructure, vocational training, and agricultural development. At Portuguese

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request, the Commission have also proposed new financial protocol for 1981-1983 providing for £75 million in EIB loans plus a £12 million interest rate subsidy from Community Budget.

21. Community agreed in October 1978 to ''consider'' pre-accession aid but none of Portuguese requests so far accepted. UK has been most negative of Member States in Community discussions though none are enthusiastic. French (François Poncet) and Germans (Schmidt) have told Sa Carneiro recently that his expectations are unrealistic.

22. Extremely difficult for UK to agree to Community grant aid, our share of which would (under present UK accounting arrangements) fall on the hard-hit UK aid budget, in which funds for a relatively rich country like Portugal are not available.

BUDGETARY ARRANGEMENTS FOR PORTUGAL

23. Portuguese have requested transitional arrangements, including a compensatory financial mechanism to mitigate loss of customs revenue. Community likely to be cautious about creating new mechanisms but will probably agree to standard transitional arrangements.

24. In long term Portugal likely to benefit considerably from Regional, Social and Agricultural Guidance Funds. But poor state of Portuguese agriculture and consequent high level of levy-attracting food imports (especially grain from the US) means that on present trends Portugal might nevertheless be a net contributor once transitional arrangements end. Portuguese have not yet requested special arrangements to cover this eventuality but they stress the need for the Community to help regional and agricultural development.

POLITICAL COOPERATION

25. Sa Carneiro's government have made satisfactory efforts to align Portugal's foreign policy with that of the Nine in contrast to the more Third World-orientated foreign policy of previous governments.



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VISIT BY PORTUGUESE PRIME MINISTER: 19 MAY 1980

OTHER EUROPEAN COMMUNITY ISSUES

POINTS TO MAKE

UK BUDGET CONTRIBUTION

1. Considerable progress made at Luxembourg. Gap now small: duration is outstanding problem. Must have solution covering three years. Italian Presidency trying (with UK support) to secure agreement on all points before end May.
2. (If necessary) Issue will not cause delay in accession negotiations. Discussions running on separate tracks.

CAP

3. We want any settlement to be kept as low as possible, but the issue has become entangled with that of our Budget contribution.
4. Hope Portuguese will continue after accession of support reduction of CAP spending.

RESTRUCTURING OF COMMUNITY BUDGET

5. Root of UK problem is predominance of CAP. Better balance needed.
6. Would like to see smaller proportion spent on agriculture and more on things like infrastructure, urban renewal, industrial problems.

BACKGROUNDGENERAL

7. Portuguese fear that Community preoccupation with UK Budget contribution issue and related problems will cause delay in accession negotiations.
8. Fear unfounded. No reason why Community business on issues other than those directly concerned with UK Budget contribution question (eg sheepmeat, fisheries) should not proceed normally.


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UK BUDGET CONTRIBUTION

9. 6 May Foreign Affairs Council made good progress on procedure. Informal meeting of Foreign Ministers 17/18 May will take up. Possible further Council before end May. Italians trying to set 31 May deadline.

10. Solution being sought by UK unlikely to help Portugal. Portuguese problem likely to be mainly one of heavy agricultural levy payments whereas UK problem more one of inadequate receipts. In any case, difference of scale means ad hoc solution would be easier to find for Portugal (if necessary) than for UK.

CAP

11. Expenditure on CAP continues to grow at excessive rate (23% per annum) and it absorbs a disproportionate share of Community Budget (75%). About half Community Budget spent on disposal of surpluses.

12. Portuguese worried about having to adjust to high Community food prices.

RESTRUCTURING OF COMMUNITY BUDGET

13. Present focus is on short-term measures. But restructuring is vital if problem is not to recur repeatedly. In Community discussions we have suggested goal of 55% for CAP share of Budget by 1986.

FUTURE UK/PORTUGAL RELATIONS IN THE COMMUNITY

14. Portuguese say UK and Portugal will be allies in Community because both liable to have problems over Budget and CAP spending. In practice Portuguese interests likely to coincide more often with those of other Southern Europeans, eg on support for Mediterranean agricultural produce.

ECD(E)/ECD(I)

Foreign and Commonwealth Office

15 May 1980

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VISIT OF PORTUGUESE PRIME MINISTER: 19 MAY

INTERNATIONAL AND BILATERAL ISSUES

POINTS TO MAKE

AFGHANISTAN/IRAN

1. Appreciation for Portugal's line. Pleased that Government has come out in favour of Olympic boycott. Is national Olympic Committee likely to support this decision?
2. Thanks for Portugal's help in Security Council, particularly over Rhodesia.

SOUTHERN AFRICA

3. We value ability to draw on Portuguese expertise over Mozambique and Angola. Machel now seems interested in reducing Mozambique's dependence on Soviet Bloc, and establishing links with West. Angola has key role to play over Namibia.

EAST TIMOR

4. Any prospects of a settlement with Indonesia? Can Britain help in any way?
5. (Defensive) If this year's General Assembly Resolution follows its predecessor, we will abstain (we hope with the Nine) because of our residual colonial responsibilities.

BILATERAL ISSUES

COMPENSATION

6. Encouraged by recent signs of progress in compensation claims of British farmers. A tiresome outstanding problem which attracts attention in Parliament and press. Settlement will enhance Portugal's ability to attract foreign investment.

FRIGATES (Defensive)

7. We recognise importance of problem and are still considering. But doubt if funds can be found, given expenditure cuts.

CONFIDENTIAL /BACKGROUND

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BACKGROUND

AFGHANISTAN

8. In NATO, Portugal has generally followed firm UK line on East/West relations post-invasion.

IRAN

9. On 17 April Portuguese Government announced breaking off of commercial and financial links as protest against holding of US hostages, ahead of action by EC or NATO members. Gesture will cost Portugal little in real terms, since Portuguese exports to Iran are negligible and Iran has recently told Portugal that no more oil would be supplied until payment for last consignment had been received (it is currently blocked in Chase Manhattan Bank). In terms of relations with the US, however, it should earn a valuable dividend.

SOUTHERN AFRICA

10. Despite strains, Portugal has maintained close links with former colonies. Regular exchanges useful. Difficulties over the semi-independent role played in foreign affairs by President Eanes, made possible by the Constitution, which Dr Sa Carneiro wishes to amend in due course. Meanwhile relations with President Eanes over the conduct of relations with Angola and Mozambique are strained.

PORTUGAL AND THE UN

11. Portugal's first term on the Security Council ends this year; Portuguese have been consistently helpful. Their UNGA votes were nearer the Nine's than Spain and Greece, and they clearly made a special effort on difficult issues; even so the overall voting record was marginally worse than in 1978.

EAST TIMOR

12. Indonesia's annexation in 1975 was deplored by the Security Council. The Nine have since abstained on UNGA resolutions criticising Indonesia. Australia, Canada, New Zealand and USA have recognised Indonesian sovereignty de facto; UK has not.

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Effective resistance to Indonesian control now slight.

13. Portugal's constitution requires Portugal to 'promote and safeguard the right to independence of East Timor'. Hence continuing dispute with Indonesia. Government may try new approach to reach a settlement before October elections. In January, Freitas do Amaral asked Lord Carrington to act as intermediary, but did not follow up this request; it thus came to nothing, though Lord Carrington told him we were in principle ready to help.

MACAO

14. Macao and Hong Kong share problem of immigration from China. Unconfirmed reports that Portuguese have conceded that Macao is 'Chinese territory under Portuguese administration'. Also understand that Portuguese have China's permission to build a new international airport in Macao; there may be implications for Hong Kong.

BILATERAL ISSUES

ANGLO-PORTUGUESE RELATIONS

15. Relations with the present government are excellent. Sa Carneiro and Freitas do Amaral met the Prime Minister and Secretary of State last year, and Lord Carrington had bilateral talks with Portuguese Ministers and the President in Lisbon in April, in the Council of Europe margins. The UK maintains a small technical co-operation programme in Portugal, currently worth £300,000 per annum. A £5m capital aid loan was signed in 1978 but has yet to be utilised.

COMPENSATION

16. Sole outstanding bilateral problem is compensation for 10 British-owned farms expropriated at the Revolution. Other friendly foreign governments (eg FRG and Spain) have similar problem. Present government, unlike its predecessors, is committed to tackling the problem quickly and recently introduced legislation to facilitate compensation. Sa Carneiro said recently that individual cases would be settled within a few months. But danger of slippage if pressure relaxed.



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FRIGATES

17. NATO Governments have repeatedly stressed need to strengthen Portugal's Anti-Submarine capacity, by providing new frigates. A scheme has emerged to provide three Dutch frigates, with equipment provided by NATO members, at a cost of about \$500m. Portugal has agreed to provide \$200m. UK's share of remainder would be about \$36m. Scheme discussed inconclusively by NATO Defence Ministers on 13 May (UK said nothing). It is desirable but no British Government money available. Discussions continue.

Southern European Department
Foreign and Commonwealth Office
15 May 1980

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VISIT OF THE PORTUGUESE PRIME MINISTER: 19 MAY

INTERNAL POLITICAL SITUATION

BACKGROUND NOTE

1. The Democratic Alliance (AD) Government, a coalition, formed to fight the general election in December 1979, is Portugal's first majority Government since the 1974 revolution; but may be short-lived, since further general elections must be held by October.
2. Key points of its ambitious programme are: a more open, free market economy; a new constitution; and a strongly pro-Western stance in foreign policy. It has so far been reasonably successful. Dr Sa Carneiro announced recently that the target of under 20% inflation this year was within reach. Despite a few violent incidents surrounding the return of land to former land owners, there is steady progress in agrarian reform.
3. On constitutional reform, the government seeks to abolish the Council of the Revolution and to diminish the powers of the President, although this cannot be attempted until after the next General Election. Relations with President Eanes are thus strained. The Alliance have announced that they will not support Eanes for a further term of office and have put up their own candidate, General Antonio Soares Carneiro, for the next Presidential elections (80/81). It therefore seems inevitable that the hitherto non-party-political Presidency will be a casualty of the polarisation of Portuguese politics; and it is not impossible that the next President and Prime Minister will be political opponents. Sa Carneiro has said he will resign from active politics if Eanes should stand and win, as seems possible.
4. The Alliance's prospects of winning the next general election are reasonable. As Prime Minister, Sa Carneiro has greatly improved his personal standing. Though conciliatory, except with the Communists, he is determined. The opposition Socialists are trying to construct a Socialist Front coalition, but without support of the Communists are unlikely to gain a majority.

Southern European Department
Foreign and Commonwealth Office
15 May 1980

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VISIT OF PORTUGUESE PRIME MINISTER: 19 MAY

Programme

- 9.30 Call on Lord Privy Seal (Prime Minister Dr Sa Carneiro, Deputy Prime Minister/Foreign Minister Prof Freitas do Amaral, and State Secretary for European Integration Dr Almeida Mendes).
- 10.15 Call on Secretary of State for Trade (Prof Freitas do Amaral and Dr Almeida Mendes).
- 10.45-11.30 Meeting with British businessmen at Department of Trade (Prof Freitas do Amaral and Dr Almeida Mendes).
- 11.40 Dr Sa Carneiro and Prof Freitas do Amaral sign Visitors' Book at Buckingham Palace.
- 12.00 Talks with Prime Minister and Secretary of State for Foreign and Commonwealth Affairs at No 10 Downing St.
- 13.00 Working Lunch at No 10 Downing St.
- 15.00 Call on Minister of Agriculture (Prof Freitas do Amaral and Dr Almeida Mendes).
- 16.15 Call on Opposition spokesman on foreign affairs, the Rt Hon Mr Peter Shore MP, at the House of Commons (Prof Freitas do Amaral and Dr Almeida Mendes).
- 17.00 Press conference at Portuguese Embassy.
- 19.45 Depart for Paris.

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VISIT OF DR FRANCISCO SA CARNEIRO
PRIME MINISTER OF PORTUGAL
AS A GUEST OF HMG
19 MAY, 1980

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Nus

The Prime Minister will be accompanied by the Deputy Prime Minister/Foreign Minister and Minister for European Integration. Interpreters are not required.

Sunday, 18 May

1645 hours Arrive at Heathrow, Terminal 1, on BA 437.
Sir John Stow, Special Representative of the Secretary of State, and Lord Moran, HM Ambassador to Portugal will meet.

1715 hours Depart ⁺Carlton Tower Hotel. (The FM ⁺Minister ⁺European Integration will stay at the Portugese ⁺Embassy).

Monday, 19 May

0900 hours Depart Carlton Tower Hotel for Lord Privy Seal's Office, FCO.

0930 hours Meeting with Lord Privy Seal.

1005 hours Return to Carlton Tower Hotel.

1130 hours Depart Hotel for Buckingham Palace to sign visitors' book.

1140 hours Sign visitors' book.

1150 Depart Buckingham Palace for 10 Downing Street.

1200 hours Pre-working lunch talks with PM and Secretary of State.

1300 hours Working lunch.

1450 hours Depart 10 Downing Street for Carlton Tower Hotel.
approx

1655 hours Depart Carlton Tower Hotel for Portugese Embassy.
1700 hours Press Conference at Portugese Embassy.
1815 hours Depart Portugese Embassy for Heathrow Terminal 3.
Alcock and Brown lounge reserved.
Sir John Stow and Lord Moran will bid farewell.
1945 hours Depart on flight GF28.

Visits Section
Protocol & Conference Department

FOREIGN & COMMONWEALTH OFFICE

16 May 1980

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520
SEPARATE PROGRAMME FOR PORTUGUESE FOREIGN
MINISTER AND PORTUGUESE MINISTER FOR EUROPEAN
INTEGRATION, 19 MAY 1980.

Sunday, 18 May

1645 hours Arrive at Heathrow Terminal 1 on BA 437.

1715 hours Depart for Portuguese Ambassador's Residence,
12 Belgrave Square, SW1.

Monday, 19 May

~~0900 hours.~~

0930 hours

Depart Residence for Lord Privy Seal's Office,
Meeting with Lord Privy Seal. F.C.O.

1005 hours

Depart FCO for Department of Trade and Industry,
1 Victoria Street.

1015 hours

Call on Mr Nott followed by discussion with
British businessmen

1045 hours

1130 hours

Depart Department of Trade and Industry for
Buckingham Palace.

1140 hours

Sign visitors' book at Buckingham Palace.

1150 hours

Depart Buckingham Palace for 10 Downing Street.

1200 hours

Pre-working lunch talks with Prime Minister and
Secretary of State.

1300 hours

Working lunch.

1450 hours

Depart 10 Downing Street for House of Commons.

1500 hours

Call on Mr Walker, Minister for Agriculture & Fisheries
at House of Commons.

1530 hours

Free. (Car standing-by).

1625 hours

Call on The Rt Hon Mr Peter Shore MP, Opposition
Spokesman on Foreign Affairs at House of Commons.

1645 hours

Depart House of Commons for Portuguese Embassy,
11 Belgrave Square.

1700 hours

Press Conference at Portuguese Embassy.

1815 hours

Depart Embassy for Heathrow, Terminal 3.

1945 hours

Depart on Flight GF28.

Visits Section
Protocol & Conference Department

FOREIGN & COMMONWEALTH OFFICE
16 May 1980

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Portugal

file

8



10 DOWNING STREET

From the Private Secretary

14 May 1980

Visit of Portuguese Prime Minister : 19 May

Given that the Portuguese wish to field a substantial delegation for the pre-lunch talks next Monday, I agree that Lord Moran, Mr. Bullard and Mr. Hannay should all attend the talks on our side. Since the meeting will therefore in effect become a Plenary Session, I would be grateful if you would provide a note-taker as well.

M. O'D. B. ALEXANDER

Paul Lever, Esq.,
Foreign and Commonwealth Office.

ds



Foreign and Commonwealth Office

London SW1A 2AH

14 May 1980

Dear Michael,

Visit of Portuguese Prime Minister, 19 May

I should welcome your views on attendance at the talks with the Portuguese Prime Minister at 12 noon on 19 May which precede the working lunch. Attendance at the lunch itself has, I think, already been settled (on our side it will be the Prime Minister, the Foreign and Commonwealth Secretary, Mr Walker, Mr Nott, Lord Moran, Mr Hannay and a Private Secretary).

The Portuguese have told us that they would like the pre-lunch session to be devoted to a general tour d'horizon on international issues, saving discussion on EEC matters until the working lunch. If all the Portuguese party were to attend, they would number seven, three Ministers, three Chefs du Cabinet and the Portuguese Ambassador. If it were thought essential to restrict numbers on their side, it would be possible to ask them to leave out the Chefs du Cabinet to the Foreign Minister and the Minister for European Integration, who will not be attending the working lunch. On the British side, in addition to the Prime Minister herself, Lord Carrington thinks it would be helpful if, as well as our Ambassador at Lisbon, Lord Moran and Julian Bullard could attend; and, in case EEC matters come up, perhaps David Hannay, who will be at the lunch, might also be present. I realise that this makes for rather a large meeting but the Portuguese have made it hard to reduce numbers by having a party of three Ministers and proposing a wide ranging agenda.

Perhaps you would let me know soon what you decide, We shall be sending you the briefs later this week.

Yours etc

Paul

(P Lever)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
LONDON

14 MAY 1960



file

ds

Portugal

cc/ Sue Goodchild

30 April 1980

The Prime Minister has seen your letter to me of 28 April and has approved the guest list attached to it.

MICHAEL ALEXANDER

Paul Lever, Esq.,
Foreign and Commonwealth Office.

Ge



Foreign and Commonwealth Office

London SW1A 2AH

28 April 1980

Prime Minister ^①
concern with proposed
guest list?

Ans

Yes no

Dear Michael,

Visit of the Portuguese Prime Minister
and Foreign Minister

Your letter of 17 April asked for a guest list for the Prime Minister's working lunch for the Portuguese Prime Minister on 19 May.

I attach a draft list. The only uncertainty is whether Mr Walker will be able to attend; if he cannot, Mr Buchanan-Smith would be available in his stead.

Yours etc

(P Lever)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
London SW1

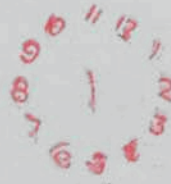
VISIT OF PORTUGUESE PRIME MINISTER: WORKING LUNCH WITH PRIME
MINISTER - 19 MAY

PROPOSED GUEST LIST

The Rt Hon Mrs Margaret Thatcher MP	Prime Minister
HE Dr Francisco Sa Carneiro	Prime Minister of Portugal
HE Prof Diogo Freitas do Amaral	Deputy Prime Minister of Portugal
HE Dr Rui Almeida Mendes	Secretary of State for European Integration
HE Sr J Freitas-Cruz	Portuguese Ambassador
Dr Antonio Patricio Gouveia	Head of the Portuguese Prime Minister's Office
The Rt Hon the Lord Carrington KCMG MC	Secretary of State for Foreign and Commonwealth Affairs
(The Rt Hon Mr Peter Walker MBE MP	Minister of Agriculture, Fisheries and Food
(
(or	
(
(Mr Alick Buchanan-Smith, MP	Minister of State, MAFF
Mr Cecil Parkinson, MP	Minister of State, Department of Trade
The Lord Moran, CMG	HM Ambassador, Lisbon
Mr D H A Hannay	Assistant Under-Secretary of State, Foreign and Commonwealth Office
Private Secretary	



29 APR 1960



Palmeira

Mrs Goodchild.

17 April 1980

1) BF 28.4.80
 2) HF 16.5.80

Visit by the Portuguese Prime Minister
 and Foreign Minister

You wrote to me on 8 April about the visit to be made by Dr. Sa Carneiro and Professor do Amaral to London next month. The lunch will be a working meal for 12. It would be helpful to receive a draft guest list by Monday 28 April and to receive the briefs by close of play on Friday 16 May.

MICHAEL ALEXANDER

SN

Paul Lever, Esq.,
 Foreign and Commonwealth Office



Foreign and Commonwealth Office

London SW1A 2AH

8 April 1980

1. C. Stone

2. MODBA (OE) to deal

MS

Dear Michael,

VISIT BY THE PORTUGUESE PRIME MINISTER
AND FOREIGN MINISTER

We have now heard that Dr Sa Carneiro and Professor do Amaral have accepted the proposal that their one day visit to London should take place on 19 May (your letter of 20 March).

Perhaps you could now let me know the date by which you would like to receive briefs and the numbers for the working lunch, for which we will let you have a draft guest list.

Yours etc

(P. Lever)
Private Secretary

Michael Alexander Esq
10 Downing Street

-8 APR 1960
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FILE

SH

20 March 1980

Visit by the Portuguese Prime Minister
and Foreign Minister

The Prime Minister has seen your letter to me of 17 March about the visit to London of Dr Sa Carneiro and Professor Freitas do Amaral. The Prime Minister has agreed to receive both men provided a suitable date can be found. As Caroline Stephens has already told you neither the 28 April nor 12 May would be convenient. She has suggested 19 May as an alternative date.

I am sending copies of this letter to John Wiggins (HM Treasury), Stuart Hampson (Department of Trade), Ian Ellison (Department of Industry) and Garth Waters (MAFF).

Paul Lever Esq
Foreign and Commonwealth Office

TWR



Prime Minister

Foreign and Commonwealth Office

Neither date mentioned at

London SW1A 2AH

A would be very convenient. But would you be content for the meeting to take place subject to finding a suitable date (possibly 19 May)?

17 March 1980

Handwritten initials and signature

Dear Michael,

Visit by Portuguese Prime Minister and Foreign Minister

The Portuguese Prime Minister and his deputy, who is also Foreign Minister, are proposing to make a short visit to London in late April or early May as part of a wider tour of capitals of the Nine and Athens. The purpose of the visits will be to give an impetus to the negotiations for Portuguese accession to the European Community.

The Foreign and Commonwealth Secretary recommends that the Prime Minister should agree in principle to receive Dr Sa Carneiro and Professor Freitas do Amaral. The visit would be a short working one. A session of talks, which would certainly not need to start before noon and might even be confined to thirty minutes, followed by a working lunch, would seem appropriate. The Portuguese might wish to call on other Ministers in order to discuss particular aspects of the negotiations in detail.

A |

We now need to discuss dates with the Portuguese. I understand that 28 April or 12 May might be convenient for the Prime Minister. I should be grateful if you would let me know whether she would be prepared to receive the Portuguese on one of these dates.

I am sending copies of this letter to the Private Secretary to the Chancellor of the Exchequer, the Secretary of State for Trade, the Secretary of State for Industry and the Minister of Agriculture.

*Yours ever
Frederic Lyne*

PP (P Lever)
Private Secretary

Michael Alexander Esq
No 10 Downing St
London



17 MAR 1960

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