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Prime Minister

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PRIME MINISTER

VISIT TO LISBON: 21-22 OCTOBER

My visit followed shortly after the September settlement of the awkward issue of EC imports of Portuguese textiles which had complicated the enlargement negotiations. It was, therefore, possible to have a frank discussion of international trade issues and EC membership against the background of the preparations for the November GATT Ministerial meeting and negotiations for Portuguese accession. It also allowed significant opportunities for United Kingdom trade to be identified.

Although short, my visit included meetings with the Prime Minister, the Ministers for Industry, Energy and Exports (Eng Horta), for Foreign Affairs, and for Finance. I also addressed the Annual Dinner of the British-Portuguese Chamber of Commerce.

Trade Relations

The Portuguese Ministers were sceptical about the practical outcome of the GATT Ministerials. They are well placed to appreciate the effect of the world recession. They would like to emulate our own success in reducing inflation from a level which they are currently suffering. And, as a significant trading nation, share our frustration at the relative inaccessibility of overseas markets: Spain and the Far East in particular. Their trade deficit, accentuated by exports in devalued escudos and dollar imports, forces them towards a trade policy of reciprocity.

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Portugal's overall international trade deficit includes a bilateral one with the United Kingdom. Many import licence applications remain outstanding, although following my personal representations, Minister Horta was encouraging that some relating to industrial orders would be expedited. Consumer goods exports will clearly continue to be difficult.

Minister Horta re-affirmed his support for an inward mission in the next six months covering electronics, automotive products and food processing. I asked, and he agreed, that fisheries should also be added. He also lent his support to a separate presentation of nuclear energy capabilities by NEI-Wimpey to the Engery Ministry and National Electricity Utility. He was anxious, however, that this proposed visit in December should be low-key to avoid exciting the anti-nuclear lobby at the very time Parliament is expected to debate Portugal's future energy policy.

Most promisingly, Minister Horta confided to me advance notice that his government had finally decided to proceed with the construction of a 100,000 ton per annum copper smelter on a joint venture basis. He very positively encouraged United Kingdom companies to tender for this substantial contract. The government is clearly now proceeding more cautiously on such major projects. But this is a significant opportunity to balance the existing French involvement in mining. Follow-up action is already in hand.

EC Accession

I probed Portugal's present position. The progress of Portugal's accession negotiations relative to Spain is clearly a source of national pride; but it also poses a dilemma. All the Ministers described accession positively, and as a challenge. Politically, it will consolidate Portugal as a European democracy; economically, it will help drive industry - spurred by inward

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investment - into new sectors and technology. Ministers were more gloomy about the potential agricultural development and expect Portugal to remain - perhaps expensively under the CAP - a substantial food importer, particularly of cereals, oil and fats.

I welcomed the progress of the negotiations, and the prospect of Portugal's Community membership. I noted, both in my discussions and speech, that our own accession had posed similar challenges, some continuing.

On timing, the Foreign Minister considered that Portugal's negotiations could be completed by next Easter. But attention is increasingly focussing on Spain's delay. They clearly describe the negotiations as separate and view accession beyond 1 January 1985 (they still hope for 1984) as politically dangerous, particularly if ascribed to the Spanish problem. But they cannot ignore the risks of separate entry. Their existing potential to become a net EC Budget contributor could be substantially worsened by the possible terms of Spanish accession, and they could not accept the terms of the present imbalanced EC-Spain agreement.

Ministers expressed the hope that accommodation could be made by the EC to meet these problems, and the view that the position might possibly become clearer following this month's General Election in Spain. Nevertheless, there seems to be a growing realisation that the EC will not be able to move far enough, or Spain fast enough, to save the Portuguese government from having to make very difficult decisions in the next year about both the terms and timing of an EC accession which they undoubtedly remain determined to achieve.

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I am sending copies of this to Geoffrey Howe, Francis Pym, Patrick Jenkin, Peter Walker, Nigel Lawson, Robert Armstrong, and to HM Ambassador (Lisbon), Mr Byatt. I am grateful to him, his wife and his staff for the hospitality and assistance which we received during the visit.

Department of Trade
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Arthur Cockfield
LORD COCKFIELD

26 October 1982

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Portugal
JLH

10 DOWNING STREET

From the Private Secretary

1 November 1982

LORD COCKFIELD'S VISIT TO JAPAN

The Prime Minister read with interest over the weekend your Secretary of State's report of 26 October on his visit to Japan.

A. J. COLES

John Rhodes, Esq.,
Department of Trade.

JLH