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

Present:

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| 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 |

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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,

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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 by 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

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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



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re Sir P.C.

10 DOWNING STREET

From the Private Secretary

19 April 1984

See above.

VISIT OF PRIME MINISTER TO PORTUGAL

I enclose with this letter the record of the first session of plenary talks which were held with the Portuguese on Tuesday, 17 April.

I am copying this letter and enclosure to Richard Mottram (Ministry of Defence), Callum McCarthy (Department of Trade and Industry), Ivor Llewelyn (MAFF), Richard Hatfield (Cabinet Office) and to the Ambassador in Lisbon.

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Roger Bone, Esq.,
Foreign and Commonwealth Office.

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