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*C. Master Set*

CONFIDENTIAL



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*CS/P. Cradock*

**10 DOWNING STREET**

*From the Private Secretary*

19 April 1984

*Dear Roger,*

VISIT BY THE PRIME MINISTER TO PORTUGAL

At the end of her visit to Portugal the Prime Minister called on President Eanes. The latter had returned from Canada shortly before the call which lasted some 80 minutes. Although the Portuguese had agreed in advance to make an exception to their usual practice and to allow the Ambassador and me to accompany the Prime Minister, we were in the event excluded. I know that Hugh Byatt tends to think that the reason for this was that the President did not wish the Portuguese Ambassador in London to be present because the latter is associated with the Portuguese Government rather than the Presidency and the rivalry between the two continues to be an important facet of Portuguese political life. Some evidence to support this theory is provided by the way President Eanes spoke to the Prime Minister, particularly about domestic economic policy.

The Prime Minister told me after the call that she had begun by giving the President a brief account of her visit. She had stressed that she had enjoyed it enormously. She made a passing reference to the ancient alliance between Britain and Portugal and then turned to the European Community where she outlined our own current problems and discussed the prospects for Portuguese entry. The President had seemed concerned that the differences between France and Spain would delay Portuguese entry. The Prime Minister said that she believed that President Mitterrand now wanted Spanish entry and that he saw things from a broader standpoint than that of narrow French interests. He was now unlikely to hold up Spanish accession.

There was then some discussion of the President's visit to Canada. President Eanes said that the situation seemed uncertain following Trudeau's announcement of his intention to retire.

On East/West relations, President Eanes remarked that Gorbachev had attended the Communist Party Congress in Oporto. President Eanes had not met him but thought he was a complete hard liner. On the situation in the Soviet Union, President Eanes saw more possibilities for change than did the Prime Minister.

/ The President

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The President then asked the Prime Minister about our negotiations with the Chinese over Hong Kong. Mrs. Thatcher gave him a broad account of the current negotiating position and stressed our moral responsibility to the people of Hong Kong.

On Macau, President Eanes said that the Portuguese had negotiated a number of contracts of long duration and the Chinese appeared to be honouring them. The Prime Minister suggested that the Chinese might be resolved not to alter the present position in Macau until the Hong Kong problem had been settled. President Eanes agreed.

One hour after the conversation had begun, the Prime Minister attempted to take her leave. But the President asked whether she would like to hear his views of the domestic situation. In describing this, he sought to convey the message that while tough measures had to be taken he would not have gone about things in the way the Portuguese Government had done. He believed that the people were not ready for real austerity measures and that the Government had not got the psychologically right. There were very considerable problems in the field of agriculture and employment and the balance of payments improvement had been artificial. In all, he painted a very bleak picture of the Portuguese economy.

President Eanes expressed a high opinion of the Prime Minister of Spain and thought that Spanish democracy was now more deep-rooted than it had been.

Mrs. Thatcher formed a rather more favourable impression of President Eanes than when she had last met him. She found him more intelligent than Dr. Soares and incisive in his thinking.

As the Prime Minister was about to leave President Eanes said that an official invitation to Her Majesty The Queen to visit Portugal would be despatched next week.

I am copying this letter to Sir Philip Moore.

*John ...*  
*John ...*

Roger Bone, Esq.,  
Foreign and Commonwealth Office.