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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	Dr. Mario Soares
Foreign and Commonwealth Secretary	Senhora Raquel Ferreira
Minister for Trade	Dr. Antonio Martta
HM Ambassador, Lisbon	Portuguese Ambassador
Mr. D. Williamson	Senhor Joao Uva de Matos Proenca
Mr. D. Thomas	Senhor Joao Nunes Barata
Mr. C.D. Powell	

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.

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22 November, 1984.

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10 DOWNING STREET

*From the Private Secretary*

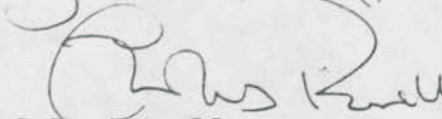
22 November, 1984.

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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