

CONFIDENTIAL

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

CONFIDENTIAL



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



CONFIDENTIAL

- 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

CONFIDENTIAL



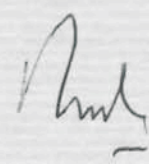
CONFIDENTIAL

- 5 -

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.



22 May 1980

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 <b>LOBO MORAN</b>	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 <sup>road</sup> ~~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 <sup>were</sup> ~~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 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

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 <sup>Gromyko</sup> ~~Muskie~~. Mr Muskie and Mr Gromyko had spent some 3 hours sizing each other up. His own impressions from his conversation of ~~over~~ 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 that US foreign policy would be increasingly affected by electoral considerations. It was however helpful that Mr Muskie carried political weight. He had

/told



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 <sup>but</sup> it was important that the remainder should not.

*Am*



20 MAY 1980





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

GB





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