



CONFIDENTIAL

Euro PA

PM/80/55

PRIME MINISTER

*Assured by PM with Lord
Carrington. Lord Carrington agreed
to find the money.*

Community Pre-Accession Aid to
Portugal

La. Punt - 18/7

*(not copied
to us.
Punt)*

1. You may have seen the correspondence between myself and the Chancellor of the Exchequer on this subject. In his minute of 16 July the Chancellor rejects the proposal I had put to him that we should be ready at next week's Foreign Affairs Council to lift our blocking of the principle of a concessional element in any pre-accession aid to Portugal to agree if necessary to a figure for this, on the understanding that our share of such expenditure would not be a charge on the aid programme, which contains no provision for such expenditure.

2. I think it is politically unrealistic to suppose that we can in fact block any concessional aid to Portugal at next week's Council, and I think it is not reasonable to argue that our share of this is a proper charge to the aid programme.

3. On the first point you of course are well aware of the special regard in which our Government, and you yourself in particular, are held by Sa Carneiro and his colleagues. In the last few days they have left us in no doubt whatever of the importance they attach to agreement in Brussels next week, and about their dismay, not to say incomprehension, at the negative line which we have so far been taking in discussions there at official level. You have now had a personal message from Sa Carneiro; I have had one from Freitas do Amaral; Tony Royle at the Conservative Central Office has been appealed to; and our Ambassador at Lisbon has been summoned to see the Portugese Foreign Minister. The German Foreign Minister has told me that he thinks it vitally important for the Community to provide pre-accession aid to Portugal; and there are signs that our commercial interests there will suffer if we continue to be seen as the one country blocking a decision.

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4. This therefore is a highly political matter. It is not to do with aid in the sense that that word is normally understood, as being something which is given to the poorer countries of the world by the richer. Portugal is not one of the poorer countries of the world and there is no reason why she should be given aid from our aid programme, which has different purposes. The reason why the Community should give Portugal aid is that Portugal is due soon to join the Community. Once she joins she is likely to benefit substantially in financial terms, as is right and proper for what will be by far the poorest member of the Community. The Community aid now proposed is small in amount and respectable in purpose, in that it is designed to help Portugal bring her economy up to a level where it will be better able to withstand the strains of Community membership (and thereby be less of a burden on the Community). It seems to me to make good economic sense to help a rather weak economy which is about to become a member in order to help her to play a proper and not unduly subsidised part. The UK share of the aid required for this purpose should therefore be counted as part of the general cost to us of belonging to the Community, just as would the provision of assistance to Portugal from the Regional or Social Funds, once Portugal became a full Community member. I suggest that this whole question should be looked at once more.

5. Meanwhile, time before next week's Council is short. I am not prepared to block concessionary aid to Portugal and I cannot afford to take the risk that the Chancellor may still not by then have accepted the force of my arguments. I am therefore in the last resort prepared to direct the ODA to find, say, £5 million from its already overstretched contingency fund (though I realise that some colleagues may not welcome this). But this amount will only enable me to agree to a level of concessionary aid of about 50 mua, or less

/than a quarter

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than a quarter of the Commission proposal now on the table (235 mua). I shall hope, with support likely from some of my Community colleagues, to bring the Commission figure substantially down (and I am assuming that once Portugal joins the Community any part of this aid then remaining unspent will cease to be a charge on the aid programme and will be re-allocated accordingly by the Treasury, though this point is not specifically covered in the Chancellor's minute). But I cannot be certain in advance what the final figure will be. I therefore, on political grounds, seek authority from you to use non-aid programme resources for the UK share of any aid above the 50 mua level to which I may have to agree next week.

6. I am sending a copy of this minute to the Chancellor of the Exchequer and to Sir Robert Armstrong.

(CARRINGTON)

Foreign and Commonwealth Office