

B. RESIDENT CLERK PLEASE PASS TO NO 10 DOWNING STREET.

FCO ADVANCE TO:

FCO - ~~PS PS/LPS LORD BRIDGES BULLARD HANNAY FITZHERBERT THOMAS~~

BROUCHER *Beard*)

CAB - ~~FRANKLIN ELLIOTT JOHNSTON~~

DOT - VINALL

MAFF - RING

TSY - BAKER

NO. 10 DOWNING ST

ADVANCE COPY

ADVANCE COPIES

FRAME ..... EXTERNAL

*ES*...XEROX COPIES

FCO

PLUS FCO

P.S.

PS/LORD PRIVY SEAL *K2*

RESIDENT CLERK

HD/EID/( )(4)

HD/NEWS

HD/~~PS~~ *ESD*

HD/.....

HD/.....

HD/.....

MR BULLARD  
MR HANNAY  
LORD BRIDGES

ADVANCE COPY

CABINET OFFICE

D.O.T.

PLUS OGDS

MR M D M FRANKLIN  
MR D M ELLIOTT  
MR N.C.R. WILLIAMS

*Handwritten signature*

H.M. TREASURY

M.A.F.F.

*P.N. has seen.*

SIR K COUZENS  
MR ASHFORD

Sr. ~~MR~~ B D HAYES

GR 1000

*Handwritten notes: 1/12/9*

CONFIDENTIAL

FRAME EXTERNAL

DESKBY 120700Z

FM UKREP BRUSSELS 112138Z SEP 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 3912 OF 11 SEPTEMBER

INFO IMMEDIATE ODM (FOR BUIST, GRAHAM-HARRISON) PRIORITY PARIS BONN LISBON

INFO SAVING BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN LUXEMBOURG

COREPER (AMBASSADORS): 11 SEPTEMBER 1980

EC PORTUGAL: PRE-ACCESSION AID.

ADVANCE COPY

SUMMARY.

1. PRESIDENCY SOUGHT VIEWS OF THOSE MEMBER STATES WHICH HAD BEEN UNABLE TO GIVE FIGURES AT 21 JULY FOREIGN AFFAIRS COUNCIL; OF THESE NETHERLANDS EXPECTED CABINET DECISION TOMORROW; FRANCE COULD ACCEPT 300 MUA (OF WHICH 175 MUA EIB LOANS). UK ARGUED THAT 115 MUA EIB ELEMENT DISCUSSED BY EIB GOVERNORS ON 17 JULY SHOULD BE INCREASED. MOST DELEGATIONS FAVOURED REACHING DECISION AT FOREIGN AFFAIRS COUNCIL NEXT WEEK. HOWEVER, PRESIDENCY LEFT OPTIONS OPEN AND WARNED DELEGATIONS AGAINST BREAKING RANKS SHOULD AGREEMENT PROVE IMPOSSIBLE AT THE COUNCIL.

DETAIL.

2. DONDELINGER (PRESIDENCY) RECALLED VIEW OF SOME MINISTERS AT JULY COUNCIL THAT A DECISION ON FIGURES WOULD BE NEEDED SOON AFTER THE SUMMER HOLIDAYS SO THAT THE ARRANGEMENTS COULD ENTER INTO FORCE BY END OF THE YEAR. SINCE THEN PORTUGAL HAD MOUNTED A LOBBYING EXERCISE TO BRING PRESSURE FOR A DECISION IN SEPTEMBER; AND IN FACT THE PORTUGUESE FOREIGN MINISTER WOULD BE VISITING BRUSSELS NEXT WEEK DURING THE FOREIGN AFFAIRS COUNCIL.

3. DONDELINGER SOUGHT VIEWS OF DELEGATIONS WHICH HAD BEEN UNABLE TO GIVE DECISION ON FIGURES BEFORE SUMMER BREAK.

(I) RUTTEN (NETHERLANDS) EXPECTED CABINET TO AGREE ON 12 SEPTEMBER TO QUOTE SUBSTANTIAL AID UNQUOTE.

(II) I SAID THAT THE UK THOUGHT THE EIB ELEMENT SHOULD BE CONSIDERABLY INCREASED. WE REGRETTED THAT PORTUGAL HAD BEEN LED TO EXPECT SUCH A HIGH TOTAL FIGURE. FROM PORTUGUESE LOBBYING WE UNDERSTOOD THEY COULD ACCEPT LOANS IN CERTAIN SECTORS WHICH WERE COVERED BY GRANTS IN THE COMMISSION PROPOSALS. WE SHOULD THUS FIRST RE-EXAMINE THE SIZE OF THE EIB ELEMENT: UK MINISTERS HAD YET TO TAKE A VIEW ON THE SIZE OF THE BUDGETARY ELEMENT, BUT THE COMMISSION'S FIGURES WENT FAR BEYOND WHAT WE COULD MANAGE.

(III) RIBERHOLDT (DENMARK) COULD ACCEPT 300 MUA PACKAGE AND PRESSED FOR DECISION AT COUNCIL NEXT WEEK.

(IV) FRANCE COULD ACCEPT A PACKAGE OF 200 MUA. WHEN PRESSED BY PRESIDENCY ON BREAKDOWN, VIDAL SAID EIB ELEMENT SHOULD REMAIN AT THE 115 MUA DISCUSSED BY EIB GOVERNORS ON 17 JULY (DONDELINGER RECALLED THAT THIS PROPOSAL HAD NOT BEEN FINALLY AGREED BY THE GOVERNORS SINCE TWO MEMBER STATES (UK AND GERMANY) HAD ABSTAINED). VIDAL IMPLIED THAT FRANCE WANTED

AGREED BY THE GOVERNORS SINCE TWO MEMBER STATES (UK AND GERMANY) HAD ABSTAINED.) VIDAL IMPLIED THAT FRANCE WANTED A DECISION NEXT WEEK BUT DID NOT PRESS FOR THIS SPECIFICALLY.

(V) GERMANY COULD ACCEPT TOTAL OF 300 MUA (175 MUA EIB LENDING, 125 MUA BUDGETARY ELEMENT). THE GERMAN EIB GOVERNOR WOULD PROPOSE THIS INCREASED EIB CONTRIBUTION AT THE NEXT GOVERNORS' MEETING.

4. DONDELINGER PRESSED UK TO BE READY TO DISCUSS FIGURES AT COUNCIL. I ARGUED AGAIN THAT BUDGETARY FIGURES SHOULD BE DISCUSSED AFTER THE EIB ELEMENT HAD BEEN AGREED. I HAD NO DEFINITE INSTRUCTIONS ON THE SIZE OF THE LATTER, BUT THE GERMAN PROPOSAL SEEMED IN THE RIGHT AREA. WHEN THE EIB ELEMENT WAS AGREED WE COULD CALCULATE THE AMOUNT NEEDED FOR INTEREST RATE SUBSIDY, TO WHICH MIGHT BE ADDED A SMALL AMOUNT OF GRANT AID FOR TECHNICAL ASSISTANCE.

5. DONDELINGER CALCULATED ON THE BASIS OF THESE INTERVENTIONS THAT IF THE OVERALL PACKAGE WERE BETWEEN 200 AND 300 MUA THE BUDGETARY ELEMENT WOULD NEED TO BE BETWEEN 85 AND 185 MUA WHATEVER THE EIB ELEMENT. HE QUESTIONED WHETHER MEMBER STATES COULD RECONCILE THEIR DIFFERENCES ON THESE FIGURES AT THE COUNCIL.

6. ON TIMING NETHERLANDS AND DENMARK AGAIN ARGUED STRONGLY FOR A DECISION NEXT WEEK. I ARGUED THAT WITH PORTUGUESE ELECTIONS IN OCTOBER AN ABORTIVE DISCUSSION AT THE FOREIGN AFFAIRS COUNCIL SHOULD BE AVOIDED. IT WOULD BE BETTER FOR THE EIB TO EXAMINE THE GERMAN PROPOSAL FIRST. SPAAK (COMMISSION) FAVOURED A DECISION ON THE WHOLE PACKAGE NEXT WEEK. GERMANY ARGUED THAT THE COUNCIL SHOULD AGREE THE SIZE OF THE BUDGETARY ELEMENT FIRST AND THE BANK REACH ITS DECISION SUBSEQUENTLY. TEICHERT (EIB) POINTED OUT THAT THERE WOULD BE AN INFORMAL MEETING OF FINANCE MINISTERS ON 20 SEPTEMBER.

7. SUMMING UP, DONDELINGER SAID THAT PRE-ACCESSION AID WOULD REMAIN ON THE COUNCIL'S AGENDA. BUT HE LEFT OPEN WHETHER COUNCIL WOULD AIM TO TAKE A FINAL DECISION OR SIMPLY TO CARRY THE ISSUE FORWARD. HE WARNED THAT MEMBER STATES SHOULD DO THEIR UTMOST TO AVOID ANY PUBLIC IMPRESSION OF DISAGREEMENT; IF THE COUNCIL COULD NOT REACH AN AGREED POSITION THIS SHOULD BE ATTRIBUTED TO THE NEED FOR FURTHER CONSULTATION WITH THE EIB AND THE CLARIFICATION OF OTHER PRACTICAL ASPECTS.