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From the Private Secretary

Prime Minister's telephone conversation with Dr. Sa Carneiro

As you know, the Prime Minister of Portugal, Dr. Sa Carneiro, rang the Prime Minister this morning to discuss the question of pre-accession aid for his country.

Dr. Sa Carneiro said that he had rung to express his grave concern about the position which had arisen. He claimed that the position of the other member countries of the Community was "quite far open". The Portuguese Government was anxious to get a decision on 15 September, and a later decision would make it difficult to get his Government's plans under way. It would be a distressing situation if Portugal's oldest ally was to prevent a positive decision next week.

The Prime Minister said that she shared Dr. Sa Carneiro's anxiety to achieve a positive outcome at the forthcoming meeting of the Foreign Affairs Council. It was not the case that the difficulty came only from Britain. Other countries were unable to accept the figures which had been recommended by the Commission. In fact, the chances of getting pre-accession aid on the scale envisaged by the Commission were virtually nil. The Prime Minister said that she was not sure whether Dr. Sa Carneiro wanted a decision next week, whatever the amount, or whether, if the amount were inadequate, he wished the decision to be delayed. But she wished to make it clear that a delay in the decision would not mean more money: it would just mean more difficulty between those involved in the discussion. Dr. Sa Carneiro said that his attitude would depend on the amount offered. The Commission had recommended 350 MUAs, and the Federal German Government were prepared to offer 300. If an amount of this order were proposed, Portugal would accept. The Prime Minister said that she did not think that Portugal would be offered 300 MUAs. Dr. Sa Carneiro said that if the amount involved were "very much smaller", then it would be better to postpone a decision. This would of course have the effect that Europe's first gesture towards Portugal would have been to reduce a proposal made by the European Commission to the point where it was impossible for the Portuguese Government to go ahead with its plans. This was bound to work to the advantage of the Communists in the forthcoming election.

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The Prime Minister said that it was clearly a matter for judgement by the Foreign Ministers on Monday and Tuesday whether the amount to be offered was sufficient for Portugal. Dr. Sa Carneiro agreed that the matter should be left to the Foreign Ministers, and commented that his Foreign Minister would be in Brussels on Monday. The Prime Minister said she would ask the Foreign and Commonwealth Secretary to get in touch with his Portuguese colleague there.

I am sending copies of this letter to John Wiggins (HM Treasury), and David Wright (Cabinet Office).

*Yours ever*

*Michael Alexander*

S.J. Gomersall, Esq.,  
Foreign and Commonwealth Office.

PRIME MINISTER'S TELEPHONE CONVERSATION WITH THE PRIME MINISTER  
OF PORTUGAL ON FRIDAY 12 SEPTEMBER 1980 AT 1200 NOON

PM: Hello, Prime Minister

Mr. Pintasilgo: Oh, Good morning Prime Minister. How do you do.

PM: How are you?

Mr. Pintasilgo: Very well, thank you. .... And I am sorry to disturb you.

PM: That's perfectly all right. We've been expecting your call.

Mr. Pintasilgo: Thank you. As you know Foreign Minister ... spoke a few days ago ..... I should like to express my grave concern and to ask you to do all that's possible in order to help the situation because as you know the position of other countries is quite far open. We don't know yet the position of the French Government ..... the position of the German Government .... and we are very much interested in getting a positive decision if possible before the 15 September because this plan should start this year which would be impossible if .... On the other hand

And there is a limit

60% by the Portuguese Government. If there is ..... of the other countries, the position of the British Government, your Government, then we will face a distressed situation which you will allow me to refer that our oldest alliance is less open than the other Governments. We realise the difficulties that have been pointed out by the Lord Privy Seal and that yourself and Lord Carrington also pointed out. This is why I permit me to ask you to all that's possible to change this situation in order that we can have a positive decision next week.

/ PM:

PM: Well now may I make one or two comments Prime Minister. It's a little bit difficult to hear completely what you've been saying because the line here is not good. But first, we're quite prepared and would wish to meet to have a decision this coming week. And we think it would be very much better to do so and we are very positive about that. Second, you'll find that the difficulties on amount do not come only from Britain but that some other countries are finding difficulties on the Commission amount as well and it is quite wrong to think that the difficulty comes only from Great Britain. And I think that the chances of getting this amount recommended by the Commission are just almost non-existent. Now I wasn't quite certain whether you said that you would rather have a decision next week in any event or if you didn't get what you wanted in amount namely the Commission amount, you'd rather have it delayed. From our contacts we think people are prepared, most of them, to come to a decision next week but not on the Commission amount. And that if the decision were delayed it would not mean more money eventually, it would just mean more difficulty between the partners. Now which is best for you politically? To have a lesser amount than the Commission is requesting next week or not to have a decision?

Mr. Pintasilgo: It depends very much on how less is the amount. The amount recommended by the Commission, if I'm not wrong is 350 muas. I think that the Germans are prepared to effect 300. If there is an amount of this sort that will enable us to go ahead with the project. And then a positive decision in this sense will be welcome and will help us politically.

PM: Yes. I think, Prime Minister, that you'll not get a decision on 300 and please don't think that it's only Great Britain because it isn't. You know that there are other figures which are a good deal less than that. I think you might get a decision something below 300. You would get it at the next meeting of Foreign Ministers which is Monday or Tuesday. As you know within the total there are arguments about how it's to be distributed. But I understand your goodselves are quite prepared to have a very considerable proportion in loans with a subsidy on the loans. But I must be frank, from our contacts it's not only Britain and it's quite wrong to suggest that it is. We would like you to have a decision Monday/

/ Tuesday

Tuesday, we're prepared to be very positive about getting one, but I think there's no hope of getting 300.

Mr. Pintasilgo: If it is a very much smaller amount, considering that our request was for 455, then I think it would be better to postpone a decision knowing nevertheless that possibly in October there will be a negative .... Because if the amount is very much reduced it would make it impossible to go ahead with the plans then we have to change and to try to go ahead with the plans only with our budget resources. But that will mean that the first positive thing that Europe will do for us immediately on the basis of an offer of the Commission finally so reduced that it is turned into a negative thing and as you know this will/<sup>create</sup>the impression in the public opinion worked by the Communists who are strongly opposed to the accession, because they believe the accession to the EEC is not positive for our country. This is our special concern.

PM: That is why I thought it would be better for you to have a decision next week because I would have thought the fact of not getting one would have been even more catastrophic.

Mr. Pintasilgo: In a way yes. But on the other hand it is a very small amount. And we can't come to the position to say it's impossible to go ahead with the plan with this small amount, then I think it would be better not to have a decision, next week and to postpone it to October.

PM: It's a question of judgement then for the Foreign Ministers to make on Monday or Tuesday when they reach a decision on what is possible, whether you would prefer to have that as a final decision or keep the matter in play.

Mr. Pintasilgo: At length Prime Minister I agree we should leave it for the Foreign Ministers. And my Foreign Minister will be in Brussels on Monday, on his way to Bonn.

PM: He'll be there and they'll be able to consult with him.

Mr. Pintasilgo: I think that's the best way because then in concrete terms the final position of the other country members, he can make the decision himself.

/ PM:

PM: But I must like the decision Monday or Tuesday. We don't think there is much chance of getting 300 muas - it is not only us and it is not fair to suggest that it is because we are prepared to give a proportion of a lesser sum but some are suggesting an even lesser sum still.

Mr. P: Well my impression is based on what my Foreign Minister told me about it and the contacts he has had with other countries. I myself talked on the 'phone with the French Prime Minister, we didn't mention amounts.

PM: It is interesting that you didn't mention amounts because I am being very frank with you and I prefer to operate that way but I have got the message Prime Minister and I will discuss the matter with Peter Carrington but our view would still be - and I will discuss with him what you said - a decision Monday or Tuesday but I think it would be on just a lesser amount than 300 muas. So ask Lord Carrington if there is any doubt about it to discuss with your Foreign Minister who will be in Brussels from Monday. All right?

Mr. P: Very well Prime Minister, and I am sure that you will do all that is possible. You have a positive decision.

PM: Well I think a positive decision would be very much better - we have hung about long enough.

Mr. P: But how positive depends on the amount .....

PM: Yes I understand it depends upon the amount. I think it will be a question of judgement when it comes, when the Foreign Ministers meet.

Mr. P: Very well, thank you very much. Goodbye.

PM: Goodbye.