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Portugal: Do Amaral
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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

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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

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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

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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