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SECRETARY OF STATE FOR DEFENCE

Pine Mureto

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27/10

Frigates for Portugal

1. As you will know, the Portugese Vice Prime Minister and Defence Minister, Professor Freitas do Amaral, has recently suggested once again that we should contribute to the NATO programme for the supply of frigates to Portugal by subsidising the provision of Lynx helicopters. He spoke of a grant of \$49 million over 6-8 years, most of it for Lynx helicopters, and of total expenditure in the UK of \$85 million (Lisbon telno 161).
2. I believe that we should have another look at this question and see to what extent it might be possible to meet the Portugese request. We must in any case respond soon. If we can give the Portugese a positive answer in principle, the Prime Minister might do this when Professor Freitas do Amaral calls on her on 10 November. If we cannot help we should avoid keeping false hopes alive and tell the Portugese so before that meeting.
3. As I understand it, the background is as follows. Until recently, HMG's involvement in the NATO programme has been limited to providing good offices in dealings between the Portugese authorities and British firms which might supply equipment for the frigates, together with ECGD cover for any contracts which might ensue. We have not offered any funds to the Portugese, either directly or as aid to the commercial firms involved. Rolls Royce had offered to supply turbines at a reduced price. But last April the Portugese turned this down in favour of German and American engines and the offer, together with favourable ECGD cover, was subsequently withdrawn.
4. It has always been made clear to the Portugese that, in the absence of any British military aid programme of the kind that eg the US and the FRG operate, HMG have no official funds for use

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this sort of case. Despite this, the Portugese have been pressing us since last May to supply the frigates with Lynx helicopters for anti-submarine warfare purposes. The suggestion was made originally by the former Portugese Foreign Minister, Professor Goncalves Pereira, and has since been reiterated on several occasions in NATO, at bilateral meetings and now by the Vice Prime Minister. The Portugese have strongly implied that they see British help on this question not only as normal, given the NATO programme for equipping Portugal with frigates, but also as a return for Portugese cooperation and support given to Britain during the Falklands operation. We have not yet given the Portugese a definitive answer to this latest request and officials have been considering what might be done to meet it. So far, however, they have not been able to identify any source of funds.

5. The NATO argument is that Portugal's maritime role in the Eastern Atlantic should be improved by the addition of modern and effective frigates. I imagine that this would help us in exercising our own maritime role in the Eastern Atlantic. The US, FRG, France and the Netherlands are contributing significantly to the programme. If we do not, we shall be the exception among our major NATO partners, and I suppose there is a risk that the programme as a whole might founder in the absence of the anti-submarine warfare capacity provided by the Lynx helicopters.

6. The Falklands factor is that the Portugese were in fact very helpful to us during the operation, despite the political risks to some 50,000 Portugese in Argentina. The Portugese Government issued statements of support for Britain and, at the UN, they strongly condemned aggression and support Security Council Resolution No 502. More important, they quickly authorised some hundreds of overflights of their Madeira airspace by British military aircraft on the way to the South Atlantic and agreed to

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our use of the military airfield at Lajes in the Azores, although this facility was seldom used. I understand that this cooperation was of considerable operational value to us.

7. If we do not help there may be penalties either in the event of another emergency when we have to call on the Portuguese, or in normal times. We make use of a number of military facilities in Portugal: training areas, airfields, and ports of which the Royal Navy is the largest user. Up to now we have enjoyed complete cooperation with the Portuguese in these fields and over routine clearances for ships and aircraft. This could be prejudiced if we do nothing to help with the frigate/helicopter programme.

8. Against this background, I should be grateful if the Portuguese request could be looked at again in its complete context. The suggestion of \$49m is of course quite unrealistic. But we could go a long way towards meeting Portuguese aspirations if you were able to offer from MOD funds a free gift of 2 Lynx helicopters, worth about £6 million, as well as favourable financing terms for the rest of the package.

9. I am copying this minute to the Prime Minister, the Chancellor of the Exchequer and the Secretary of the Cabinet.

(FRANCIS PYM)

Foreign and Commonwealth Office
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