

SUBJECT

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RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER
AND THE PORTUGUESE VICE PRIME MINISTER AT 1130 ON
WEDNESDAY 10 NOVEMBER 1982 AT NO.10

Present:

Prime Minister	Professor Freitas do Amaral
Mr Coles	HM the Portuguese Ambassador
	Senhor Antonio Corte Real (Chef de Cabinet)

Political Situation in Portugal

In response to a question from the Prime Minister, Professor Freitas do Amaral said that the constitutional changes had been implemented very successfully. The Government had obtained more than the required two-thirds majority in Parliament with even the Socialist Party voting in favour. Thus, the main objective of the Government's political strategy had been achieved. The Prime Minister commented that the achievement was remarkable. Professor Freitas do Amaral said that all traces of the revolution, and of Marxist elements in the constitution, had now been removed. The armed forces had been placed under political control, a constitutional court created and full democratisation of Portugal attained. By early or mid-December, the new system would come into force. The Prime Minister recalled that Professor Freitas do Amaral had been in her room when she was Leader of the Opposition at the time when the 1974 revolution occurred.

/Spain

CONFIDENTIAL

CONFIDENTIAL

-2-

Spain

The Prime Minister said she would welcome Professor Freitas do Amaral's advice on the situation in Spain. Professor Freitas do Amaral said it was not easy to predict how the future would develop. He believed that the Socialist victory would be accepted and did not think that there would be a military coup on this account. Nevertheless, military unrest existed. In this respect there was a big difference between Portugal and Spain. In Portugal, during the first days of the revolution, the extreme right wing in the armed forces had been purged. So there was now no danger of a military coup. But in Spain, right wing elements were still present in the armed forces. There was a small group which simply did not accept democracy. However, all the political parties would resist military intervention and the King was now playing a very important role again. The main issue was whether the Socialist party could win the support of the armed forces. If democracy in Spain failed, the implications for democracy on a wider front would be serious.

The new Spanish Government was unlikely to adopt radical measures. It would be moderate in domestic affairs. In foreign affairs, it would be rather like the present French Government, that is to say pro-Western on East/West relations but fairly radical on North/South matters. He was not sure how their attitude to NATO would develop. It was not certain that a referendum would be held.

Accession to the European Community

Professor Freitas do Amaral said that it was his impression that the Portuguese negotiations were much more advanced than those with Spain. The Spanish negotiations were slow both because of the French position and because Spain was probably not interested in accession at a very early date.

CONFIDENTIAL

/Did we

CONFIDENTIAL

-3-

Did we think that France would continue to argue for the protection of its interests or try to help the new Socialist Government in Spain?

The Prime Minister said that, judging by her recent conversations with President Mitterrand, France would insist on a long transitional period and measures to protect jobs in Southern France. Professor Freitas do Amaral asked whether the problem merely related to securing a long transitional period or would France try to delay signature. The Prime Minister said that she had put this question to President Mitterrand who had replied that it ought to be possible to reach agreement on Spanish accession relatively quickly and in a period considerably shorter than two years. Professor Freitas do Amaral said that Portugal was practically ready to accede. One of the most difficult problems, that relating to textiles, had been settled. Portugal did not want to be kept waiting. It would like to accede as soon as the negotiations were over. It could of course wait for six months or so if the Spanish negotiations looked like ending within that period. But if a delay of one, two or three years seemed likely, Portugal would like to accede separately.

The Prime Minister commented that some of our EC partners thought that separate Portuguese accession would be a slap in the face for Spain. Professor Freitas do Amaral replied that a delay in Portuguese accession would be a slap in the face for Portugal. The Prime Minister said that the aim must be to speed up the negotiations with Spain as much as possible. It was conceivable that Mitterrand's attitude would become more flexible now that there was a Socialist Government in Spain.

Professor Freitas do Amaral said that he wished to emphasise one point. Portugal had no interest in entering the Community before Spain if Spain was ready. There was no advantage in getting in first. It was simply that Portugal did not wish to be kept waiting, if Spanish accession was

CONFIDENTIAL

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CONFIDENTIAL

-4-

delayed. Portugal wished to sign the Instrument of Accession before the end of the German Presidency of the Community. It was worried about the possible attitude of the Greek Presidency in the second half of 1983. A possible compromise would be for Portugal to sign the Instrument when it was ready, for Spain to sign later and for both to accede simultaneously. Commission officials had recently said that the Portuguesenegotiating process was 80% complete whereas that with Spain was less than 10% complete. He thought this exaggerated but it gave an idea of the gap.

The Prime Minister said that Spain would have to open its border with Gibraltar before it entered the Community. Professor Freitas do Amaral asked whether there had been any developments in this regard. The Prime Minister said that there had not; the new Government in Spain had, after all, not taken office yet.

East Timor

Professor Freitas do Amaral said that the forthcoming vote at the UN General Assembly was very sensitive for Portuguese public opinion. The whole political spectrum was united in its views. Portugal had no territorial claim to East Timor but it wanted to see a true process of self-determination. It was recognised that the situation was very difficult. Portugal would table a new resolution, different from that put forward in previous years. It would be much more moderate and would give a mandate to the UN Secretary General to try to solve the problem. The draft was not directed against Indonesia. Portugal would be sponsoring the resolution for the first time. The different approach which Portugal was adopting would justify a change of vote. Belgium had reacted positively and had said it would try to convince other EC Member States. Denmark had said that it might change its vote. Greece would vote in favour. Some Nordic countries appeared to be well disposed. Portugal was very interested in securing United Kingdom and EC support rather than abstention.

CONFIDENTIAL

/The Prime Minister

CONFIDENTIAL

-5-

The Prime Minister enquired as to the composition of the population of East Timor. Professor Freitas do Amaral said that they were almost all Indonesian and there were practically no white Portuguese left. But the population had a different ethnic origin from that of other Indonesians. Humanitarian conditions were terrible. Portugal could not try to solve the problems because it had no dialogue with Indonesia.

The Prime Minister said that we would normally abstain on the East Timor resolution. East Timor was not like the Falklands which had wholly British stock. What was the attitude of the East Timor people to remaining a part of Indonesian territory? Professor Freitas do Amaral said that East Timor wanted independence. Indonesia claimed that the right to self-determination had already been exercised. Portugal wanted the UN Secretary General to establish whether it had or had not been. If he reported in the former sense, Portugal would accept that. An honourable solution was necessary. Portugal could not just accept the use of force - and on that point there was some similarity with the Falklands issue. The Prime Minister said that she would look at the draft resolution. She could not promise that we would do anything other than abstain. We normally tried to adopt an EC position.

At this point Professor Freitas do Amaral handed over a letter from the Prime Minister of Portugal about the issue.

/Frigates

CONFIDENTIAL

FRIGATES

Professor Freitas do Amaral said that he had seen the Secretary of State for Defence earlier in the day. The frigate programme was not just important in the military sense. It was politically significant in that the present naval command were under criticism from left wing officers for not being effective in obtaining help and equipment from either the Portuguese Government or Nato. It would be a very considerable set-back if this programme was not implemented. Nato had approved it in 1980 as a multi-lateral programme to be financed 50% by Portugal and 50% by others. The idea had been that Portugal would negotiate the details with individual countries but in practice each country tended to say that it was unable to help. The United States and the Netherlands had now agreed upon their contributions. Britain and Germany were the problem. Britain had shown interest in providing Rolls Royce engines. Portugal had earlier concluded that these would be so much more expensive in oil consumption that they were not acceptable. A request had therefore been made for help with the helicopters. It had been said on many occasions, and Mr. Nott had repeated it today, that we had no budget for military aid. He therefore wished to ask the Prime Minister whether a special military budget could be created for Portugal. If not, there was a new proposal which he had put to the Defence Secretary at their meeting earlier in the day. He recognised that there was a strong British interest in providing Rolls Royce engines. Portugal could envisage accepting these if we provided fuel on a subsidised basis. This would involve meeting 30% of fuel costs over 22 years.

The Prime Minister said that she understood the Portuguese desire to settle this question. She would consider the new proposition, together with her colleagues. There was some attraction in supplying Rolls Royce engines. Professor Freitas do Amoral commented that, if this could be arranged, the United States could then contribute to the helicopter element. At this point, he handed over two memoranda, copies of which had already been given to the Secretary of State for Defence. He stressed that the earliest possible answer was needed. Portugal would have to report to a Nato meeting on 1/2 December. The Prime Minister said that we would try to meet this deadline.

/FALKLANDS

FALKLANDS

Professor Freitas do Amoral said that he wished to congratulate the Prime Minister on the Falklands victory, which was a victory for us all. The Prime Minister thanked him for the attitude taken by the Portuguese Government during the Falklands affair.

Professor Freitas do Amoral said that he had suggested to his Prime Minister that the Government should depute someone to visit the Cabinet Office to study its procedures. It was well known that our Cabinet Office was the best in the world. The Prime Minister said that she thought this was a useful suggestion and we should certainly agree to receive a representative of the Portuguese Government.

The discussion ended at 1215.

A. J. C.

10 November 1982

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10 DOWNING STREET

From the Private Secretary

10 November 1982

Dear Roger,

Visit by the Portuguese Vice Prime Minister

Professor Freitas do Amaral called on the Prime Minister this morning. I enclose a copy of the record of conversation. I also enclose copies of the three documents which Professor Freitas do Amaral left with the Prime Minister and which are referred to in the record.

As I told you on the telephone, there was no opportunity for the Prime Minister to raise the question of compensation for British farmers. You undertook to see whether there would be another opportunity during the programme for a Minister to raise this issue.

I also told you on the telephone that, after the meeting, the Prime Minister expressed to me some concern that in deciding how we should vote on the UN draft resolution about East Timor, we should pay full attention to the possible implications for our position on Hong Kong. You agreed to let me have a letter containing advice on this question.

I am copying this letter and enclosures to Richard Mottram (Ministry of Defence) and Richard Hatfield (Cabinet Office).

Yours ever

John Coler.

Roger Bone, Esq.,
Foreign and Commonwealth Office.

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MEMORANDUM ON THE HELICOPTERS AND UK SUPPLIED ITEMS
FOR THE PORTUGUESE FRIGATES PROGRAM

The initial Ad Hoc Group plan did not consider the helicopters for the ships. The requirement is for two helicopters per ship. The total of six helicopters amounts to a very significant figure that can not be left out of the plan.

On the revised plan proposed by Portugal it was considered that the contribution of the helicopters would be split, three to UK and three to Portugal.

The alternatives for the origins of the helicopters contemplated were:

- 1) - USA, Sea Sprit (Lamps I)
- 2) - UK, Naval Lynx
- 3) - Italy, Augusta Bell AB 212 ASW
- 4) - France, Naval Dauphin II, 365F

The preference went to the first two types, the ones found on board the NATO naval vessel operating on the area where the Portuguese frigates will also operate. This preference is maintained even considering the much higher costs of the two first types of helicopters face to the other two competitors. (Diferences of about 30%)

As mentioned above the plan prepared by Portugal contemplates UK supplied helicopters. Tenders were obtained from Westland Helicopters Limited detailing the extent of supplies and the cost with alternative solutions for the configurations.

Regarding the Helicopters the positions are:

<u>UK comparticipation required</u>	Thousands of US \$
- Helicopter facilities on the ship (part).....	70
- Helicopter	10.000
- Spares, tools, manuals and training	2.014
Total per ship	12.084
For three ships	36.172
Extra Deliveries	2.000
Total for three ships	38.172

Portuguese comparticipation

- Helicopter	10.000
- Spare, tools, manuals and training	2.000
Total per ship	12.000
Total for three ships	36.000

Besides the helicopters some additional items are also required as UK comparticipation:

Items	Prices Thousands of US \$
- SEWACO parts	2.590
- Radiac	54
- Windows, side lights, wipers	66
- Bathythermograph	40
- Spares, tools, manuals	550
Total for one ship	3.300
For three ships	9.900
Extra deliveries	84
Total for three ships, besides the helicopters	9.984
Total for three ships, with helicopters	48.156

November 8, 1982

M E M O R A N D U M

This Memorandum and attached tables deal only with fuel consumption to be expected for the Portuguese Navy new frigates.

Four equipments are considered, two for cruising speeds and two for speeds above cruising, namely:

a) For cruising:

- MTU Diesel, from Germany (RFA)
- Tyne Gas Turbine, from the United Kingdom

b) For speeds above cruising:

- GE LM 2.500 Gas Turbine from the U.S.A.
- Olympus Gas Turbine from the United Kingdom

The bases for the calculation are stated in the tables. It can be seen from Table 1 that two extreme modes of operation were considered:

- Peace with ships operating 73% of the time with cruising engines and 27% with the higher power engines.
- Crises with 33% of the operational time with cruising engines and 67% with the higher power engines.

For powers below 5.400 SHP, for the case of the Tyne cruising gas turbines, it was considered the operation of the ships on a single shaft in order to reduce the fuel consumption. Thus the ships would be operated on a single shaft 53% and 25% of the time respectively in peace and in crisis periods.

The specific fuel consumption figures shown on Table 1 were taken from the information made available to the Portuguese Navy for standard conditions of temperature, humidity and pressure.

The operating times per year, 1.300 hours in peace and 1.800 hours during crisis, are very conservative.

The yearly per ship fuel consumption calculated in Table 1 are used in Table 2 for the estimation of the total fuel consumptions and corresponding costs for three ships during their life cycle.

Here again the span of life for the ships is very conservative, reduced to only 22 years.

The important aspect of the fuel costs in the future was covered in the calculation shown on Table 2 considering a constant relation of 1.035 between the Fuel Price Index and the Discount Rate used.

Besides the calculations for the basic extreme situations, peace and crisis, an intermediate one was tabled for a mix of 80% of peace and 20% at crisis during the span of life of the ships.

The considerations that follow are for this intermediate situation. For the extreme conditions of peace and crisis similar consideration can be readily made by observation of Table 2.

The calculation shown on expected economy obtained with the MTU Diesel engines over the Tyne Gas Turbine of the order of 20.500 tons of fuel corresponding to a cost of about 17 millions of USA dollars; the GE LM 2.500 shows a saving over the Olympus of about 62.700 tons of fuel with an estimated cost saving of 52 millions USA dollars.

FUEL CONSUMPTION

PER SHIP PER YEAR

POWERS B H P	% WORK. TIME		SPEC. FUEL CONS. GR/BHP/HOUR		TONS FUEL PER SHIP PER YEAR			
					PEACE:1.300 HR/Y		CRISIS:1.600 HR/Y	
	PEACE	CRISIS	MTU	TYNE	MTU	TYNE	MTU	TYNE
700	6	5	185	400(1)	10,1	21,8	10,4	22,4
1.010	3	3	180	373(1)	7,1	14,7	8,7	18,1
1.940	4	5	167	287(1)	16,8	29,0	25,9	44,6
3.360	20	6	160	241(1)	139,8	210,5	51,6	77,8
5.400	20	6	156	216(1)	219,0	303,3	85,0	117,6
10.000	20	8	160	221	416,6	574,6	204,8	282,9
TOTALS	73	33			808,8	1.153,9	386,4	563,4
	PEACE	CRISIS	G E	OLYMPUS	G E	OLYMPUS	G E	OLYMPUS
14.290	6	12	239	355	266,4	395,7	655,7	974,0
19.770	6	11	219	304	337,7	468,8	762,0	1.057,8
26.620	7	12	194	261	469,9	632,3	991,6	1.334,0
35.020	6	15	184	246	502,6	672,0	1.546,5	2.067,6
51.000	2	17	175	222	232,1	294,4	2.427,6	3.079,6
TOTALS	27	67			1.808,7	2.463,2	6.383,4	8.513,0

BASIC HYPOTHESIS:SPEC. FUEL CONSUMPTION FOR STANDARD WEATHER CONDITIONS
LIMITED OPERATIONS TIME

NOTE: (1) specific fuel consumption for operation on a single shaft 53% of the time in peace, 25% of the time during periods of crisis.

FUEL CONSUMPTION
THREE SHIPS, 22 YEARS

Systems	Tons of Fuel			Thousands of USA Dollars		
	Peace	80% peace 20% crisis	crisis	Peace	80% peace 20% crisis	crisis
MTU	53.381	47.805	25.502	44.313	39.685	21.170
-TYNE	76.157	68.362	37.184	63.221	56.750	30.868
GE	119.374	179.760	421.304	99.096	149.225	349.739
OLYMPUS	162.571	242.428	561.858	134.956	201.248	466.418
TOTAL SAVINGS	65.973	83.225	152.236	54.768	69.088	126.377

BASIC ASSUMPTION: SHIPS ENTERING SERVICE BEGINNING 1989
 FUEL AT US\$390 IN 1981
 CAPITAL ASSETS PRICING MODEL:
FUEL PRICE INDEX = 1.035
 DISCOUNT RATE
 HANDLING CHARGES
 RESIDUES, SPILAGES
 AND LOSSES = 10%