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EC SPECIAL SUMMIT, 18 NOVEMBER: PORTUGUESE VIEWS

SUMMARY

1. ALTHOUGH PUBLICLY WELCOMING DEVELOPMENTS IN EAST GERMANY, PORTUGUESE ARE PRIVATELY WORRIED THAT EASTERN EUROPE WILL COMPETE WITH PORTUGAL FOR TRADE, INVESTMENT AND AID. BUT PORTUGAL STILL FAVOURS CLOSER EC ASSOCIATION WITH EFTA. PORTUGAL WILL BE PRESIDENT OF COUNCIL OF EUROPE FOR NEXT 6 MONTHS. SUPPORT FOR DELORS PLAN COULD BE WEAKENED IF EC FUNDS FOR PORTUGAL ARE PUT AT RISK.

DETAIL

2. PORTUGUESE PRIME MINISTER PUBLICLY WELCOMED BREACH OF BERLIN WALL AT WEEKEND AS DID PORTUGUESE PRESIDENT AND JUNIOR MINISTER FOR FOREIGN AFFAIRS. BUT PRIVATELY, PORTUGUESE ARE CLEARLY CONCERNED THAT TOO RAPID AND EXTENSIVE AN EC OPENING TO THE EAST WILL DAMAGE PORTUGUESE NATIONAL INTERESTS. IN A CONVERSATION WITH ME ON 14 NOVEMBER, PRIME MINISTER'S EC ADVISER (CARLOS SAMPAIO) EXPRESSED PORTUGUESE ANXIETIES ABOUT EASTERN EUROPEAN COMPETITION IN TRADE (EG TEXTILES, SHOES, AGRICULTURAL PRODUCTS) AND ABOUT THE DANGER OF JAPANESE INVESTMENT BEING DIVERTED FROM PORTUGAL TO EASTERN EUROPE, WHERE INDUSTRIAL DEVELOPMENT AND EDUCATIONAL LEVELS WERE IN SOME CASES HIGHER THAN PORTUGAL'S.

3. PORTUGAL IS ALSO CONCERNED THAT THE EC AID ON WHICH ITS CURRENT BOOM HAS BEEN BASED WILL BE REDUCED IN FAVOUR OF EASTERN EUROPE. CAVACO MAY WELL TRY TO INSIST THAT ANY EC AID TO LATTER INCLUDES COMMITMENT TO CONTINUE SUPPORT FOR POORER MEMBERS OF PRESENT COMMUNITY. PORTUGUESE SECRETARY OF STATE FOR BUDGET WAS QUOTED IN PRESS AFTER EC BUDGET COUNCIL ON 14 NOVEMBER AS SAYING THAT SUMS CONCEDED TO POLAND AND HUNGARY WOULD NOT UPSET EXISTING BALANCE OF AID.

4. PORTUGUESE FOREIGN MINISTER IS LIKELY TO BE WORRIED THAT EC AID FOR EASTERN EUROPE WILL DETRACT FROM POSSIBLE AID FOR EX-PORTUGUESE COLONIES UNDER LOME AND FOR RECONSTRUCTION IN ANGOLA. (PORTUGUESE COMPANIES ARE EXPECTING TO MAKE MONEY OUT OF BOTH, WHICH WOULD BE

MAINLY PAID FOR BY RICHER MEMBERS OF THE COMMUNITY.) DIARIO DE NOTICIAS, THE MAIN SERIOUS DAILY, HAS COMMENTED THAT IN AIDING EASTERN EUROPE, EC SHOULD NOT FORGET THIRD WORLD.

5. AS FOUNDER-MEMBER OF NATO AND STAUNCH ATLANTICIST, PORTUGAL WILL BE CAUTIOUS ABOUT ANY MOVES TOWARDS DISMANTLING WESTERN EUROPEAN DEFENCES. DE MELO (DEFENCE MINISTER) MADE THIS CLEAR AT A SEMINAR GIVEN HERE BY LOCAL INSTITUTE OF STRATEGIC STUDIES LAST WEEK. PORTUGUESE EXPERIENCE OF COMMUNISM, UNLIKE MOST OF THE EC, HAS BEEN CLOSE AND RECENT PORTUGUESE COMMUNIST PARTY (WHICH IS STILL STALINIST) HAS MADE MINIMAL AND EVASIVE COMMENT ON EVENTS IN EASTERN EUROPE.

6. PORTUGAL STILL HAS SOFT SPOT FOR EFTA TO WHICH IT USED TO BELONG AND WHICH IS STILL GIVING AID AND INVESTING HEAVILY HERE (PARTLY AS A MEANS OF GETTING INTO EC BY BACK DOOR). IN ANY DISCUSSION OF ENLARGEMENT, PORTUGAL IS THEREFORE LIKELY TO BE PRO-EFTA AND ANTI-EASTERN EUROPE (AND TURKEY, BECAUSE OF TEXTILES).

7. FOREIGN MINISTER HAS PUBLICALLY WELCOMED THE PROSPECT OF HUNGARIAN MEMBERSHIP OF COUNCIL OF EUROPE UNDER PORTUGUESE PRESIDENCY OF THE COUNCIL STARTING ON 16 NOVEMBER AND HAS ALREADY PROPOSED SEMINAR IN LISBON IN JANUARY TO DISCUSS DEVELOPMENTS IN EASTERN EUROPE.

8. THERE ARE NO CLEAR INDICATIONS YET OF PORTUGUESE THINKING ON ANY CONNECTION BETWEEN DEVELOPMENTS IN EAST GERMANY AND PROGRESS ON EMU. FINANCE MINISTER CADILHE WAS QUOTED IN THE PRESS HERE AS HAVING TOLD JOURNALISTS THAT PORTUGAL WAS OPPOSED TO THE BRITISH APPROACH TO THE DELORS PLAN DURING THE ECOFIN COUNCIL ON 13 NOVEMBER. CARLOS SAMPAIO (PARA 2 ABOVE) ALSO IMPLIED TO ME THAT PORTUGAL WOULD SUPPORT AN EARLY IGC, ALTHOUGH HE CLAIMED NOT TO KNOW WHAT CAVACO WOULD DECIDE. THE TOUCHSTONE WILL, I SUSPECT, CONTINUE TO BE HOW FAR THEY BELIEVE PORTUGAL WILL CONTINUE TO BE GUARANTEED ADDITIONAL COMMUNITY FUNDS AS 'COMPENSATION' FOR ACCEPTING THE DELORS PLAN. IF COMMUNITY DECISIONS ON CENTRAL EUROPE PUT THESE AT RISK, PORTUGUESE COMMITMENT TO THE DELORS PLAN COULD WELL BE CORRESPONDINGLY WEAKEND PARTICULARLY BECAUSE WHAT THE UK PAPER SAYS ABOUT THE POLITICAL DISADVANTAGES OF THE DELORS PLAN MAY WELL THAN ASSUME GREATER IMPORTANCE.

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