

PREM 19/1486

PART 2

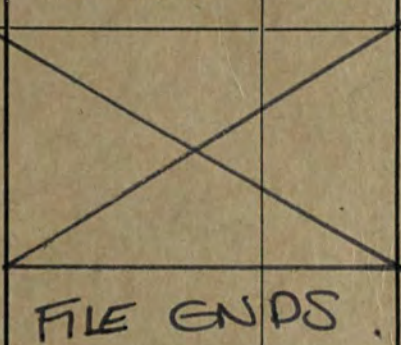
Confidential Filing

Enlargement of the European Community
Possible application from Turkey
Accession of Greece
Application from Spain & Portugal.

European Policy

Pt 1 May 1979

Pt 2 June 1983

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date	
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PREM 19/1/486

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QUEEN ANNE'S GATE LONDON SW1H 9AT

30 August 1985

Dear Foreign Secretary

MACAU

XREF

Al. resubmit with
FCO reply will
be received. gh

I am writing to express my strong concern about an issue which although it may be familiar to you has only recently been brought to Home Office attention. It concerns the fact that due to the lack of any special provision in the Act of Accession of Portugal to the European Community, Chinese residents of Macau who have Portuguese nationality but otherwise no links with Portugal itself will enjoy the same rights under the Treaty of Rome as Continental Portuguese. I understand that approximately 85,000 Macanese are currently thought to be entitled to Portuguese nationality; that figure will grow in the future. The first my Department learnt of this problem was after the Treaty of Accession had been signed.

There is here a very unwelcome potential immigration problem that would be created by any move by a substantial proportion of those people to emigrate to the United Kingdom, for instance in the event of the early return of Macau to Chinese control (I understand Sino-Portuguese negotiations on the future of Macau are due to start in the first half of 1986). Equally important is the fact that the prospect of this situation is likely to prove highly embarrassing and controversial in the forthcoming months as it becomes increasingly well-known to Hong Kong nationals and to critics of our nationality policy in respect of Hong Kong nationals. The favourable position of Macanese of Portuguese nationality as compared with Hong Kong BDTs as regards rights of entry to the United Kingdom once Portugal accedes to the Community is a gift to our critics. The debates on the Hong Kong Nationality Order will give them an ideal opportunity to use it.

I understand that your Department tried, when the problem became known, to get Portugal to agree to the exclusion of Macanese Portuguese from the scope of the Treaty of Rome: our proposal being that the Portuguese should make the same sort of declaration as regards the definition of Portuguese nationals for EC purposes as we did with regard to our own nationals when we acceded to the Community. I gather, however, that that attempt failed. I also recognise that strictly speaking Macau has no better status than Hong Kong as regards the European Community and that indeed you did ensure that this should be the case. Nonetheless this will not satisfy our critics and we may well find ourselves under pressure to find some way of treating Hong Kong BDTs more favourably as regards rights of entry to the United Kingdom than we would wish to do. Even if we resist this pressure, as I am sure that we should, our ability in practice to prevent large scale immigration will, it seems, now depend not merely on the integrity and efficiency of those issuing passports and entry certificates in Hong Kong but also on the honesty and competence of Portuguese officials in Macau.

In all these circumstances you will understand my concern that some means of retrieving the situation, even at this late stage, can be found. If not then I fear that we can expect a major row in due course over this issue both here

/and in

The Rt Hon Sir Geoffrey Howe, QC, MP

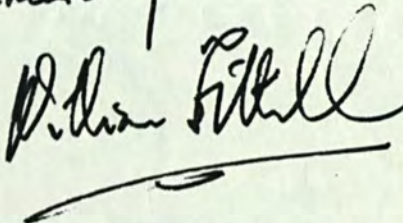
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and in Hong Kong. I gather that discussions with the Portuguese on this problem are still possible and that in fact you and your officials are already in touch with them on the matter. I also understand that one possibility that has already been raised, connected with the return of Macau to China in due course, is that the Portuguese might amend their nationality law so as to remove the availability to Macanese entitled to Portuguese nationality of dual Chinese/Portuguese nationality - a concept which the Chinese would not accept in any event; at the same time the criteria for the grant of Portuguese nationality to Macanese could be tightened. Such a move would be helpful provided it could be done quickly and that it did not lead to a rush on the part of Macanese currently eligible for Portuguese nationality but likely to cease to be so with any change in the law, to acquire it before the new law could be enacted. Doubtless your officials will continue to keep me in close touch with developments.

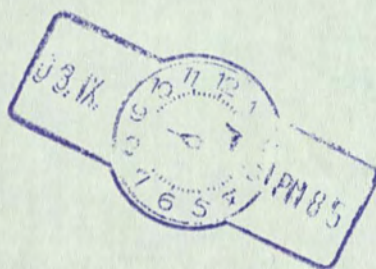
Finally I am disturbed at the fact that although your officials were alerted to this problem in April of this year the first formal approach to my Department came in late June after the Portuguese had signed the Treaty of Accession. There has been excellent co-operation between our Departments especially over the Hong Kong negotiations and I am sure that you will be as concerned as I was to learn what has happened in this case.

I am copying this letter to the Prime Minister and Sir Robert Armstrong.

Yours sincerely


Approved by the Home Secretary
and signed in his absence

CONFIDENTIAL





SPANISH AMBASSADOR

24 BELGRAVE SQUARE
LONDON SW1X 8QA

24th July 1985.

W.F.

Dear Prime Minister,

At the request of the President of the Spanish Government, Don Felipe González, I have pleasure in forwarding a framed drawing by the painter Manuel Mompó, commissioned by the Government to commemorate the signing of the Treaty of Spanish Accession to the European Communities.

Yours very sincerely,

Jose J. Puig de la Bellacasa
JOSE J. PUIG DE LA BELLACASA

The Right Honourable Margaret Thatcher MP,
Prime Minister,
10 Downing Street,
LONDON SW1.

Subject cc master
of



SRW

cc: FCO

PRIME MINISTER'S

10 DOWNING STREET

PERSONAL MESSAGE

SERIAL No. T146/85

THE PRIME MINISTER

31 July 1985

Dear Prime Minister,

I was most grateful to receive the framed drawing by Manuel Mompó which your Government commissioned to commemorate the signing of the Treaty of Spanish Accession to the European Communities. I am glad to have such a handsome record of this important event and thank you most warmly.

With my best wishes,

Yours sincerely
Margaret Thatcher

His Excellency Senor Don Felipe Gonzalez Marquez

88



SPANISH AMBASSADOR

24 BELGRAVE SQUARE
LONDON SW1X 8QA

8th June 1985

celc
CDP
8/6

Dear Prime Minister,

Further to my letter of 3rd June, I now have pleasure in forwarding the formal invitation extended to you by Don Felipe González, President of the Spanish Government, to attend the ceremony to be held on the 12th June, for the signing of the Document of Spain's Accession to the European Communities.

Yours sincerely,

JOSE U. PUIG DE LA BELLACASA

The Right Honourable Margaret Thatcher,
Prime Minister,
10 Downing Street,
LONDON SW1.



EL PRESIDENTE DEL GOBIERNO

Madrid, 3 de junio de 1985

Excma. Sra. Margaret Thatcher
Primer Ministro del Reino Unido
LONDRES

Señora Primer Ministro:

En nombre del Gobierno español y en el mío propio, tengo la satisfacción de invitarle a la ceremonia solemne de la firma del Acta de adhesión de España a las Comunidades Europeas, que tendrá lugar en el Palacio Real de Madrid el próximo día 12 de junio.

Será un honor poder contar con su presencia en esta ocasión de tanta trascendencia histórica para España y para Europa.

Aprovecho esta oportunidad para reiterarle el testimonio de mi más alta y distinguida consideración,

Felipe González Márquez
Presidente del Gobierno español



al R. P. O. S. Enlargement.

EL PRESIDENTE DEL GOBIERNO

122

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

4 June 1985

L V Appleyard Esq
Private Secretary to the Secretary of
State for Foreign and Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
London SW1A 2AL

CCPC
②
Prime Minister
CDP
5/6

Dear Lee,

THE ENLARGED COMMUNITY

The Chancellor has seen a copy of your letter of 9 May, enclosing the FCO paper on the enlarged Community, and Charles Powell's reply of 13 May, recording the Prime Minister's comments. While he agrees with the broad conclusions of the FCO paper and with the description of our objectives in paragraph 3 of the summary, he has a number of comments on the paper.

The Chancellor agrees with the Foreign Secretary that the Fontainebleau mechanism will, to a considerable extent, cushion us against the additional costs arising from enlargement. But there are three caveats which he has asked me to record.

First, our underlying budgetary position seems almost certain to deteriorate over the years immediately ahead, both because of enlargement itself and because of IMPs and the strengthening of the Mediterranean interest in the Community. Our shares in Regional Fund and Social Fund expenditure seem bound to fall and we may for the first time become a net contributor to the Regional Fund. Moreover, our latest projections suggest that we are doing little better than break even on Community R&D expenditure. So it is not easy to see how progress can be made towards reducing the UK's budgetary imbalance by "the development of expenditure policy", as suggested in the Fontainebleau conclusions.

Second, the Chancellor's view is that, when the 1.4 per cent VAT ceiling is reached, we may face a rather more difficult negotiation on the renewal of the Fontainebleau mechanism than the FCO paper implies. France and Germany will certainly want some limit set on their own contributions. But this will as certainly be resisted by the smaller rich countries. There could well be a temptation for all these countries to seek to resolve their differences at the expense of our abatement. Moreover, Spain and Portugal are likely to press to be exempted from contributing to the UK's abatement at all. Our objective must be to improve on the Fontainebleau deal, if at

[But they
won't
get the
extra own
resources if
they do insist]
CDP



all possible, but certainly to accept nothing less favourable. But even this could involve a considerable battle.

Third, the crucial issue facing us in the next three years will be to keep Community expenditure within the 1.4 per cent VAT ceiling. This will not be at all easy. Our latest internal projections suggest that the Community can live within the 1.4 per cent ceiling up to and including 1988-89, but only provided that budgetary discipline is strictly applied to both agricultural and non-agricultural spending. Even if this is done, room for manoeuvre will be very narrow - no more than 2 billion ecu for the 1986 Budget, declining to around 0.6 becu by 1988 and 1989. This headroom could easily be used up in a single year by a modest fall in dollar prices for CAP products which could substantially increase the cost of disposing of Community surpluses overnight. In addition there will be strong upward pressures on non-agricultural expenditure mainly arising from commitments already entered into by the Community in recent years.

The Chancellor draws the following conclusions from this analysis. First, one of our main priorities over the next three years will be to ensure the budget discipline arrangements are firmly applied. This means, as the Prime Minister says, that we must intensify our efforts to bring the CAP under control and should not resist moves towards national financing. For the same reason, all forms of non-agricultural expenditure will also need to be curbed. This certainly means steering Community R&D policy towards co-operation and away from Community-funded schemes. But it may well also mean cutting back on the rate of growth of both spending and commitments from the structural funds (with the possible exception of the Social Fund). More generally, we should resist all new expenditure commitments in Community Councils unless they can be contained within the maximum rate.

Although the new Commission is more conscious of the need for budgetary discipline than the old, they are still likely to push for a faster rate of growth in the Community Budget than we would want. The latest information from Brussels is that the current draft of the 1986 Budget gives a VAT rate of 1.34 per cent. This will no doubt be cut back in the budgetary procedure. But there is a substantial risk the Commission will begin its review of the Fontainebleau agreement and put forward proposals for an increase in the 1.4 per cent ceiling during the course of 1987 and perhaps no later than the second half of 1986. The Chancellor suggests that, in the light of the 1986 Budget, it may be necessary to turn our attention to these issues not much later than the turn of the year.

I am sending copies of this letter to Charles Powell (No.10) Hugh Taylor (Home Office), John Mogg (DTI), Colin Williams (MAFF), Richard Hatfield (Cabinet Office).

*Yours ever
Rachel*

RACHEL LOMAX

Euro P01: Enlargement Pt 2

F5 JUN 1985

MESSAGE FOR PORTUGUESE TELEVISION

I AM DISAPPOINTED TO BE UNABLE TO BE PRESENT PERSONALLY ,

FOR TODAY'S SIGNATURE OF THE TREATY MARKING

PORTUGAL'S ACCESSION TO THE COMMUNITY.

I HAVE THE HAPPIEST MEMORIES OF YOUR COUNTRY,

BOTH OF THE HONEYMOON WHICH I SPENT THERE

MANY YEARS AGO, AND MY RETURN VISIT LAST

YEAR.

PORTUGAL HOLDS A VERY SPECIAL PLACE IN THE HEARTS OF

ALL BRITISH PEOPLE.

YOU ARE OUR OLDEST FRIEND AND ALLY.

IT IS OVER 600 YEARS SINCE WE SWORE

OURSELVES, IN THE WORDS OF OUR TREATY, TO
"TRUE, FAITHFUL, CONSTANT AND PERPERTUAL
FRIENDSHIP".

NOW WE SHALL HAVE THE CHANCE TO WORK EVEN
MORE CLOSELY TOGETHER WITH YOU IN THE
EUROPEAN COMMUNITY.

TODAY'S CEREMONY IS A HISTORIC OCCASION FOR YOU, AND

ONE FOR WHICH BRITAIN TOO HAS WORKED HARD
THROUGH LONG YEARS OF NEGOTIATION.

THERE HAVE BEEN DISAPPOINTMENTS AND
SETBACKS: AND THERE WILL BE DIFFICULTIES IN
THE FUTURE TOO, AS YOU ADJUST TO MEMBERSHIP
OF THE COMMUNITY.

THAT IS AN EXPERIENCE WHICH WE HAVE ONLY

RECENTLY GONE THROUGH; AND YOU CAN RELY ON
OUR UNDERSTANDING AND HELP

YOU ARE A PEOPLE WHO CHOSE FREEDOM.

AS YOU NOW TAKE YOUR RIGHTFUL PLACE IN EUROPE
THAT FREEDOM WILL BE STRENGTHENED AND
ASSURED; AND BRITAIN AND PORTUGAL CAN WORK
TOGETHER TO WIDEN THE COMMUNITY'S HORIZONS,
IN ACCORD WITH OUR OWN NATIONAL TRADITIONS.

WE IN BRITAIN WELCOME YOU WITH ALL OUR HEARTS.



10 DOWNING STREET

felt

From the Private Secretary

3 June 1985

I enclose a copy of a message to the Prime Minister from the Prime Minister of Spain inviting her to attend the signing of the document on Spain's accession to the European Communities on 12 June.

BF As you know, the Prime Minister cannot be present. I should be grateful for a draft reply nominating the Foreign and Commonwealth Secretary to represent her.

*replied
verbally
over phone
WA*

CHARLES POWELL

Colin Budd, Esq.,
Foreign and Commonwealth Office.

CST



SPANISH AMBASSADOR

24 BELGRAVE SQUARE
LONDON SW1X 8QA

3rd June 1985

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T 104/85

cc MASTER
ops

Dear Prime Minister,

I have just received the following telex message, with instructions to forward it immediately:

"On behalf of the Spanish Government, and myself, I have pleasure in extending an invitation to you to be present at the ceremony to be held at the Royal Palace in Madrid on the 12th June, for the signing of the Document on Spain's Accession to the European Communities.

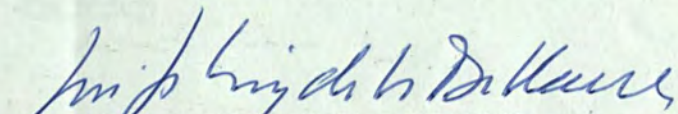
We would be honoured to have you present on an occasion of such great historical importance for Spain and for Europe.

I avail myself of this opportunity to renew to you the assurances of my highest consideration.

(Sgd.) Felipe González Marques
President of the Spanish Government"

The formal letter confirming this invitation will be sent to you as soon as it reaches me.

Yours sincerely,


JOSE J. PUIG DE LA BELLACASA

The Right Honourable Margaret Thatcher,
Prime Minister,
10 Downing Street,
LONDON SW1.

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PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 102/85

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21959 - 2

RR LISBON
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FRAME EXTERNAL
FM FCO 302000Z MAY
TO IMMEDIATE LISBON
TELEGRAM NUMBER 176 OF 30 MAY 1985
INFO PRIORITY UKREP BRUSSELS
INFO ROUTINE OTHER EC POSTS, MADRID
PORTUGAL/EC: MESSAGE FROM PRIME MINISTER

1. THE PRIME MINISTER HAS APPROVED THE FOLLOWING MESSAGE TO
DOCTOR SOARES, PRIME MINISTER OF PORTUGAL.

BEGINS

I VERY MUCH REGRET THAT I SHALL NOT BE ABLE TO ATTEND THE
SIGNATURE OF THE ACCESSION TREATIES IN LISBON AND MADRID ON 12
JUNE. AS YOU WILL KNOW, THAT IS A DAY ON WHICH I SHALL HAVE TO
ACT AS HOST TO PRESIDENT DE LA MADRID DURING HIS STATE VISIT TO
BRITAIN.

I HAVE NO NEED TO ASSURE YOU HOW MUCH WE WELCOME PORTUGAL'S
ACCESSION AND THE SUCCESSFUL COMPLETION OF SEVEN YEARS OF
NEGOTIATION. GEOFFREY HOWE WILL LEAD THE BRITISH DELEGATION AT
THE SIGNATURE CEREMONY. I SHALL LOOK FORWARD TO SEEING YOU AT
THE MILAN EUROPEAN COUNCIL WHEN WE SHALL BE CONSIDERING TOGETHER
THE FUTURE OF THE ENLARGED COMMUNITY. IT SEEMS TO ME
OF THE GREATEST IMPORTANCE THAT WE SHOULD USE THAT
OCCASION TO THE FULL BY TAKING A NUMBER OF DECISIONS DESIGNED
TO STRENGTHEN EUROPEAN UNITY AND GIVE IT PRACTICAL EXPRESSION.
ENDS.

2. PLEASE DELIVER THIS MESSAGE AS SOON AS POSSIBLE TO THE PRIME
MINISTER'S OFFICE. THERE WILL BE NO SIGNED ORIGINAL.

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SED
MR DEREK THOMAS
MR JENKINS

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RESTRICTED

SUBJECT
cc Master
Subjesta Ops

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 101/85

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21960 - 1

RR ROME

RR ATHENS

GRS 200

RESTRICTED

FM FCO 302000Z MAY 85

TO IMMEDIATE MADRID

TELEGRAM NUMBER 219 OF 30 MAY

INFO IMMEDIATE UKREP BRUSSELS

INFO ROUTINE OTHER EC POSTS, LISBON

UKREP BRUSSELS TELNO 1211: SPAIN/EC: MESSAGE FROM PRIME MINISTER

1. THE PRIME MINISTER HAS APPROVED THE FOLLOWING MESSAGE TO
SENOR GONZALEZ

BEGINS

I VERY MUCH REGRET THAT I SHALL NOT BE ABLE TO ATTEND THE
SIGNATURE OF THE ACCESSION TREATIES IN MADRID AND LISBON ON 12
JUNE. AS YOU WILL KNOW, THAT IS A DAY ON WHICH I SHALL HAVE TO
ACT AS HOST TO PRESIDENT DE LA MADRID DURING HIS STATE VISIT TO
BRITAIN.

I HAVE NO NEED TO ASSURE YOU HOW MUCH WE WELCOME SPAIN'S
ACCESSION AND THE SUCCESSFUL COMPLETION OF SEVEN YEARS OF
NEGOTIATION. GEOFFREY HOWE WILL LEAD THE BRITISH DELEGATION AT
THE SIGNATURE CEREMONY. I SHALL LOOK FORWARD TO SEEING YOU AT
THE MILAN EUROPEAN COUNCIL WHEN WE SHALL BE CONSIDERING TOGETHER
THE FUTURE OF THE ENLARGED COMMUNITY.

IT SEEMS TO ME OF THE GREATEST IMPORTANCE THAT WE SHOULD USE THAT
OCCASION TO THE FULL BY TAKING A NUMBER OF DECISIONS DESIGNED
TO STRENGTHEN EUROPEAN UNITY AND GIVE IT PRACTICAL EXPRESSION.
ENDS.

2. PLEASE DELIVER THIS MESSAGE AS SOON AS POSSIBLE TO THE
PRIME MINISTER'S OFFICE. THERE WILL BE NO SIGNED COPY.

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MR DEREK THOMAS



10 DOWNING STREET

From the Private Secretary

30 May 1985

ACCESSION OF SPAIN AND PORTUGAL
TO THE EUROPEAN COMMUNITY

Thank you for your letter of 28 May with which you enclosed brief personal messages to the Spanish and Portuguese Prime Ministers expressing her regrets that she will be unable to attend the ceremony to mark the signature of their Treaty of Accession on 12 June. The Prime Minister has agreed that these messages should be sent as drafted and I should be grateful if you would arrange for this to be done.

Timothy Flesher

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

SWM



Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister :

Agree these
messages?

28 May 1985

Dear Charles,

[Handwritten initials]
28/5

[Handwritten signature]

Accession of Spain and Portugal to the European Community

While the reasons are clearly understood, both the Spaniards and Portuguese will be disappointed that the Prime Minister will not be able to take part in the signature of the Accession Treaty on 12 June.

The Prime Minister may wish to send brief personal messages to Doctor Soares and Senor Gonzalez. I enclose drafts. If the Prime Minister approves these, we will arrange for our Ambassadors to take action in Lisbon and Madrid.

[Handwritten signature]

[Handwritten signature]

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

OUT TELEGRAM

	Classification and Caveats RESTRICTED	Precedence/Deskby IMMEDIATE
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2	GRS
3	RESTRICTED
4	FRAME EXTERNAL
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6	FM FCO MAY 1985
7	TO IMMEDIATE LISBON
8	TELEGRAM NUMBER
9	INFO PRIORITY UKREP BRUSSELS
10	INFO ROUTINE OTHER EC POSTS, MADRID
11	PORTUGAL/EC: MESSAGE FROM PRIME MINISTER
12	1. The Prime Minister has approved the following message to
13	Doctor Soares, Prime Minister of Portugal.
14	BEGINS
15	I very much regret that I shall not be able to attend the
16	signature of the Accession Treaties in Lisbon and Madrid on 12
17	June. As you will know, that is a day on which I shall have to
18	act as host to President de La Madrid during his State visit to
19	Britain.
20	I have no need to assure you how much we welcome Portugal's
21	accession and the successful completion of seven years of
22	negotiation. Geoffrey Howe will lead the British delegation at
23	the signature ceremony. I shall look forward to seeing you at
24	the Milan European Council when we shall be considering together
25	the Future of the Enlarged Community. It is my view that we

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File number	Dept ECD(E)	Distribution FRAME EXTERNAL ECD(E) SED Mr Derek Thomas Mr Jenkins
Drafted by (Block capitals) MGD Evans		
Telephone number 233 3338		
Authorised for despatch		
Comcen reference	Time of despatch	

OUT TELEGRAM (CONT)

	Classification and Caveats RESTRICTED	Page 2
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1 <<<<
2 seems to me of the greatest importance that we should use that
3 occasion to the full by taking a number of decisions designed
4 to strengthen European unity and give it practical expression.
5 ENDS.
6 2. Please deliver this message as soon as possible to the Prime
7 Minister's Office. There will be no signed original.

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9 HOWE
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NNNN ends telegram	BLANK	Catchword
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OUT TELEGRAM

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6	FM FCO 23 May 85
7	TO IMMEDIATE MADRID
8	TELEGRAM NUMBER
9	INFO IMMEDIATE UKREP BRUSSELS
10	INFO ROUTINE OTHER EC POSTS, LISBON
11	UKREP BRUSSELS TELNO 1211: SPAIN/EC: MESSAGE FROM PRIME MINISTER
12	1. The Prime Minister has approved the following message to
13	Senor Gonzalez
14	BEGINS
15	I very much regret that I shall not be able to attend the
16	signature of the Accession Treaties in Madrid and Lisbon on 12
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23	the signature ceremony. I shall look forward to seeing you at
24	the Milan European Council when we shall be considering together
25	the Future of the Enlarged Community. It is my view that we

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NNNN ends telegram	BLANK	Catchword /should seem's
File number	Dept ECD(E)	Distribution FRAME EXTERNAL ECD(E) SED Mr Derek Thomas
Drafted by (Block capitals) MGD Evans		
Telephone number 233 3338		
Authorised for despatch		
Comcen reference	Time of despatch	

OUT TELEGRAM (CONT)

	Classification and Caveats RESTRICTED	Page 2
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<<<<

1	<<<<
2	seems to me of the greatest importance that we should use that
3	occasion to the full by taking a number of decisions designed
4	to strengthen European unity and give it practical expression.
5	ENDS.
6	2. Please deliver this message as soon as possible to the
7	Prime Minister's Office. There will be no signed copy.
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NNNN ends telegram	BLANK	Catchword
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10 DOWNING STREET

From the Private Secretary

13 May 1985

The Enlarged Community

The Prime Minister was grateful for the paper on the Enlarged Community enclosed with your letter of 9 May. She found it interesting and to the point. The main conclusions which she draws from it are as follows:-

- i) we must intensify our efforts to bring the CAP under control in the enlarged community. We should not resist a shift towards more national financing.
- ii) we must steer Community Research and Development work firmly towards co-operation between companies and away from Community-funded programmes.
- iii) while decision-taking may well become more difficult in the enlarged Community, the importance of being able to insist on unanimity on matters of vital national interest will increase (because there are more likely to be costly initiatives which we shall have to oppose). Nothing must be done to weaken the Luxembourg compromise.
- iv) we should exploit the sort of divisions between France and Germany seen at the recent Bonn Economic Summit and be ready to work with each of them as suits the issue.
- v) we should de-dramatise the concept of "variable geometry" within the Community, because it will probably suit our interests in the enlarged Community for there to be smaller groupings. There are several reasons for this: we shall probably not want to participate in everything: it may sometimes be the most effective way to get things done: and it will counter movement towards "union". What we must avoid, though, is the appearance of a two-tier community with us in the second division. The Prime Minister likes the concentric circles analogy.

- vi) finally the Prime Minister agrees that we should do more to encourage British exporters to exploit the larger market which will be offered by a Community of Twelve.

I am copying this letter to the Private Secretaries to the Chancellor of the Exchequer, the Secretary of State for Trade and Industry, the Minister of Agriculture, the Home Secretary and Sir Robert Armstrong.

Charles Powell

Colin Budd Esq
Foreign and Commonwealth Office.

PRIME MINISTER

The Enlarged Community

I attach the further paper on the Enlarged Community which you requested. It is not a bad effort.

It would give a bit of impetus to the work of departments if you were to comment. I attach a draft letter setting out some possible conclusions.

Agree to letter?

C.D.P.

*Yes - Hartley on
in*

10 May 1985



Foreign and Commonwealth Office

London SW1A 2AH

9 May, 1985

Dear Charles,

The Enlarged Community

In my letter of 4 February (not to all) I undertook to let you have a fuller note on the enlarged Community. The attached paper has been approved by Sir Geoffrey Howe. It confirms his view that:

- Prime Minister
This is the further paper
for which you asked
on the Enlarged
Community. It is an
interesting
paper.*
- (a) enlargement offers opportunities as well as risks;
 - (b) the Community cannot hope to prosper on the basis simply of carrying forward existing policies. We have already succeeded in achieving major changes; we must use the opportunities that will arise to achieve more;
 - (c) we must expect smaller and more cohesive groupings to emerge;
 - (d) our own position in relation to those groupings will depend on the policy choices we make; to the extent that there is an inner core within the Community we shall want to be sure that the UK exerts effective influence on what is decided within it;
 - (e) the French and Germans will try to assert a position of leadership. There is no reason why we should permit that to happen. Their own relationship, though much advertised, is subject to various strains. They will take various initiatives of their own. But Fontainebleau has created a better basis for cooperation with them, jointly where possible, and separately where not. This will be the key to our ability to ensure that the enlarged Community functions in a way compatible with our interests.

*That would
be very
damaging
to our interests*

The Foreign Secretary notes that, thanks largely to the policies pursued since 1979, there has been a significant convergence of our economic performance with that of other leading Member States in this period. Whereas in the 1970s we were bottom of the league for economic growth amongst EC countries, in 1983 we were top. Despite the coal strike we were in line with the EC average in 1984, and for 1985 the OECD forecasts that we will again achieve the fastest growth of any major EC country.



The Foreign Secretary considers that the FRG's remarkable trading performance (\$19.5 billion surplus in 1984 on trade in manufactures with the rest of the Community) shows that the remaining barriers to trade in merchandise can be surmounted. This confirms his impression that British commerce and industry have still not been able fully to exploit the opportunities which the EC market already offers. He is aware that the Department of Trade and Industry are keen to encourage British exporters to take a fresh look at the European market and impress on them the opportunities that already exist. He strongly supports efforts in this direction. We need also to focus industry's attention on the large new market in Spain and Portugal which will open up in the next decade. The recent CBI seminar on the Iberian market (which took place after prompting from Whitehall) is, in his view, an example of what can and should be done.

4. I am sending copies of this letter and its enclosure to the Private Secretaries to the Chancellor of the Exchequer, the Minister of Agriculture, the Secretary of State for Trade and Industry, the Home Secretary and the Cabinet Secretary.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

THE ENLARGED COMMUNITY : SUMMARY OF CONCLUSIONS

1. The justification for enlargement has been mainly political. The economic and commercial opportunities must be set against inevitable costs, including increased pressure on the Community budget. The enlarged Community will have its own North/South divide (paragraphs 1-6).

2. The UK achieved its objectives in the enlargement negotiations. We will have to bear some of the costs, but these will be much reduced by the Fontainebleau mechanism, giving us better protection than Germany or France (paragraphs 7-8).

3. Our objectives will be to:

(a) maximise our potential economic benefits through completion of a genuine common market. This will only happen if our own industrial structure and performance are geared to taking advantage of the Community market as a whole. The German example (\$19.5 billion surplus with the rest of the Community in manufactures) shows that strong industrial performance can surmount existing obstacles to trade. In services the obstacles remain more formidable: we must work to get them removed. UK industry must not get left behind in the race to exploit the new opportunities in the Iberian market (paragraphs 9-14);

(b) contain resource transfers to the Mediterranean. Some transfers through the structural funds will remain necessary to help the weakest member states to adapt. But convergence cannot be achieved through resource transfers. It can only be achieved through adoption of the appropriate economic policies and structural reforms (paragraphs 15-17);

(c) maintain pressure to reform the CAP and limit its cost. Containing support for Mediterranean agriculture will depend on a continuing effort to get expenditure on northern products under control. Small farmers, who are particularly vulnerable to price

discipline, may need other forms of support. There could over time be a shift towards more national financing (paragraphs 18-21);

(d) steer R&D activity towards promoting direct cooperation between the companies and research institutes, limiting public funding, but ensuring that we do not miss opportunities to benefit from practical cooperation, particularly in the application of research (paragraphs 22-24);

(e) strengthen political cooperation so as to give the Community an influence commensurate with its potential (paragraphs 25-27).

4. There will be an increasing tendency towards cooperation on a variable geometry basis, involving some but not all member states. We shall need to:

(a) encourage practical improvements in decision taking, both to counter increased difficulties in obtaining consensus and bring about key reforms (paragraphs 28-29);

(b) ensure that we form part of the core groupings that are likely to develop in areas of particular interest to us. Otherwise we could see a Community dominated by a substantially unreformed CAP and structural funds with much of the real action - progress towards completion of the internal market, industrial collaboration etc - taking place in smaller groups (paragraphs 30-32).

(c) take advantage of the movement of France into the same camp as the Germans and ourselves as net contributors to the budget. Our ability to get things done in the enlarged Community, contain its costs and establish a new equilibrium within it will depend on the effectiveness of our collaboration with the French and Germans (paragraphs 33-35).

THE ENLARGED COMMUNITY

Introduction

1. The existing Member States supported the accession of Spain and Portugal for political, not economic reasons: they wished to anchor both countries firmly into the West European democratic system. The Spanish and Portuguese governments are convinced that membership will help maintain domestic political stability. The successful completion of the negotiations should have a positive effect on the Spanish referendum on NATO. The prospect of accession provided us with a lever to get the Gibraltar border reopened.

2. Opening up the highly protected Spanish market will be of advantage and could not have been achieved without EC membership. Spain should eventually reach Italy's level of economic development. Portugal is a semi-developed country which will look to the Community for special assistance. Spain and Portugal together will add one third to the number of farmers in the Community. There will be strong pressures for more spending on Mediterranean agricultural products. The Fontainebleau mechanism will protect the UK against rising expenditure better than France or Germany. But the CAP in its present form will not be able to operate at acceptable cost in the enlarged Community unless there is firm action to deal with surpluses and prevent the escalation of Mediterranean spending. If existing procedures are not improved, decision-taking will also become more difficult and cumbersome.

The New Members

3. Spain (population 38m, GNP per capita 57% of the Community average)** has the highest unemployment in Western Europe (21%). She is already a favoured target for US and Japanese investment

** A table comparing the population, relative prosperity and net budgetary benefits of the 12 Member States is at Annex B.

and accession will further encourage this. To remain competitive, Spain is likely to devalue the peseta and is unlikely to want to join the ERM. Towards the end of the transitional period her very competitive agricultural sectors will pose an increasing challenge to the French and Italians (wine, fruit and vegetables for both; olive oil for the Italians) as well as the Dutch and ourselves (out of season vegetables). Weaker sectors - peasant holdings - will expect to benefit from FEOGA guidance. Spanish industry will have to emerge from behind its protectionist wall. Many sectors will face a difficult period of adjustment, though in some areas - steel, cars, shipbuilding - Spain is already very competitive. Community membership in the long run probably will act as a stimulus to the Spanish economy and provide the framework for industrial restructuring.

4. Spain has had to accept a tough accession bargain. The Commission do not expect her to derive significant net financial benefits from accession until the latter part of the transitional period. There will be friction over the accession terms on fisheries and agriculture. There will not be much scope or tolerance for any formal re-negotiation. To improve these terms, Spain will try to use such opportunities as arise, eg the review of the transitional arrangements for fisheries (1993) and the end of the first stage for agriculture (1990), though in practice she is more likely to improve her position by trying to maximise her benefits on the expenditure side. Politically Gonzalez continues to have strong support and is unlikely to want to emulate Papandreou's maverick performance.

5. Portugal (population 9.9m, GNP per capita only 26% of the Community average) will be by far the poorest Member State, with weak and vulnerable agricultural and industrial sectors. Despite improvement she is still running a balance of payments deficit: \$880m last year, down from \$3bn in 1981-82. Portugal is no threat to the rest of the Community except in textiles. Though her leverage is small, there is general recognition that she will

require extended help and special treatment. This has been reflected in the transitional arrangements, which should ensure that Portugal is a substantial net beneficiary from the outset.

Other Member States

6. The effects of enlargement on other Member States are summarised at Annex A. The main points are:

(a) France will become a net contributor and has already become much more restrictive about agricultural spending. The French, however, will continue to attach great importance to the Community as a way of locking their economy into that of the Federal Republic and maximising their political influence;

(b) The FRG, which has strongly supported enlargement, will bear the brunt of the budgetary costs but can expect to benefit from the wider market. German policy will remain contradictory on the budget and agricultural prices. But they and the Dutch will remain our closest allies on some key issues.

UK Objectives in the Enlarged Community

7. We achieved our objectives in the enlargement negotiations. We have secured the opening up of the Spanish market, effective protection for our fisheries and our other specific objectives in the negotiations, including a better relationship with Spain over Gibraltar. We are however likely to receive less from the structural funds and have to pay more for Mediterranean agriculture and (for the next few years) for IMPs. But the Fontainebleau mechanism will protect us against much of the budgetary cost of enlargement. In that respect the UK is better placed than France (which expects to overtake us as a net contributor to the Community budget in 1987) or Germany (which will eventually want to limit its own contribution, but will not be able to escape paying the lion's share).

8. The key to securing our objectives in the enlarged Community will be to work with France and Germany to ensure that expenditure is kept within bounds and made more cost effective. This means

giving priority to our objective of opening up the internal market; combining with others to resist Mediterranean efforts to maximise north/south resource transfers; progressive reform of the CAP; and getting more value for money from other expenditure.

9. The UK's balance of visible trade with the Community (1984 net deficit \$4.8bn; deficit in manufactures \$11.2bn) is similar to that of France (visible deficit \$6.5bn; deficit in manufactures \$10.2bn). Both compare unfavourably with Germany (visible surplus \$8.5bn; surplus in manufactures \$19.5bn). But the adverse trend in our balance of trade in manufactures with the Community is identical to the trend in our trade with the rest of the world. Our exports to the Community have grown since accession much faster than to the rest of the world: the EC took 44.8% of UK exports last year, compared to 30% in 1972. On invisibles the picture is different. The Germans run a substantial deficit with the rest of the EC (\$10.6 billion in 1983). Despite the fourfold growth of our invisible exports in sterling terms since 1972 (fivefold for financial services), the EC share of total UK invisible exports remains at 25%, the same as in 1972, and we continue to run a deficit with our EC partners (£2.1 billion in 1983, compared to a surplus of £5.7 billion with the rest of the world).

10. In terms of prosperity as measured by GDP per head, the UK is now at 98% of the EC average. After enlargement we will be above the new average (at about 108%). But the UK's industrial performance and economic strength are still well behind those of our two largest partners.

11. A fundamental question is how far UK industry will take advantage of the opening up of the Spanish market, and of the Community's internal market generally. The FRG's example (1984 surplus on trade in manufactures with EC partners: \$19½ billion) is a clear demonstration that strong industrial performance can easily surmount many of the remaining barriers to trade in merchandise in the Community. Improving the UK's own industrial

performance and making a determined attempt to increase our share of the whole EC market will remain crucial if we are to maximise our own benefits from EC membership. Despite the improvements that we have secured, Britain's industrial performance remains her Achilles heel.

Convergence and the Common Market

12. The Community's founders believed that the creation of a common market, combined with coordinated economic policies in Member States, would bring about a gradual convergence of economic performance and wealth. There has been some convergence of economic policies, but the common market remains to be completed - and convergence of performance and wealth has similarly lagged behind. The spread of economic performance will be greater still with the entry of Spain and Portugal. The common market offers significant opportunities, but these have not been maximised; nor have they been evenly distributed. Greek manufacturing industry, for instance, has found it hard to compete or adjust (one factor in the Greek demands for IMPs); so too with parts of British industry and commerce.

13. Completion of a genuine common market will remain the highest of priorities for us. We have won the intellectual argument: all Member States now acknowledge the need for progress and that this will be crucial to maximise the Community's ability to help create wealth and employment. But progress is likely to remain painfully slow unless some direct impulsion is given by the heads of government themselves. There are very different concepts of the objectives and hence the actions required to open up the common market and - from the Germans as well as the French and others - straightforward resistance in some areas to opening up their markets at all (especially in relation to financial services, transport and public procurement). Some of our own policies are seen by other member states as inconsistent with our commitment to opening up the internal market, e.g. our derogation on lorry weights and our attitude towards frontier controls.

14. Delors is committed to achieving progress (and indeed to a programme aimed towards completion of the common market by 1992). But we shall need to convince the Commission that progress is not going to be made by the hardest route, ie tax approximation which will be opposed by us and other member states. We should also look for ways of advancing matters more rapidly with those who are willing to move, as with the Dutch over air services. The Commission is also laying stress on freedom of movement for individuals and the achievement of a "Europe without frontiers". Our concerns about immigration and terrorism, though they are shared to some extent by other Member States, may not permit us to go as far as the French, Germans and Benelux. We shall continue to point out the important differences between land and other frontiers. The measures the French and Germans so far have taken relate to the movement of people, not goods.

15. As to convergence, part of the bargain between richer and poorer Member States has consisted of limited transfer payments to the poorer regions - though by far the most significant transfers through the Community budget in fact have been to the agricultural sector generally, including the rich northern agricultural regions. These transfers are substantial in relation to the balance of payments and public expenditure of the net contributors, and are important to the economies of the smallest Member States such as Ireland. Total spending on agriculture and the structural funds still represents less than 0.75% of Community GDP, or about 2% of total public expenditure in the Community. Except in agriculture these transfers have little overall impact in promoting future sources of economic growth.

16. The net contributors are increasingly likely to insist that their liabilities cannot be open-ended. At the same time they will need to ensure that there is no erosion of the joint commitment to the common market, which for them is the Community's most important economic asset. Provided British industry and commerce have the ability and will to take advantage of it, the enlarged Community will offer increased markets. The UK must

therefore:

(a) continue to attach central importance to implementation of the Treaty obligations concerning the internal market;

(b) aim to limit the flow of help to the poorer countries without attacking the principle of such help;

(c) argue that convergence will only be brought about by the adoption of the appropriate economic policies and modernisation of the economies of the poorer Member States;

(d) continue to give the highest possible priority to improving our own industrial performance, and to securing much greater awareness of the opportunities for exporting. A particular effort needs to be made to increase our share of EC markets.

17. The UK has benefited substantially from the structural funds. Last year we did exceptionally well, receiving 27% of the Regional Fund and 32% of the Social Fund, with a financing share of 21%. After enlargement our share of receipts is liable to decline. We are unlikely over time to remain a net beneficiary from the Regional Fund. We will remain a net beneficiary from the Social Fund, though our share is likely to fall. We must aim to limit these effects by continuing to put forward programmes well calculated to attract Community support.

CAP

18. Recent decisions have brought real cuts in support prices and the introduction of guarantee thresholds. The Commission has again put forward restrictive price proposals for 1985/86: but, as we know, the outcome for this round is still uncertain.

19. But what has been achieved so far represents only the beginnings of reform. What is seen as the need for common support prices to be set at levels which produce acceptable incomes for

small producers has combined with continued improvements in yields and investment by large and efficient producers to generate increasing surpluses. If support prices are to be held down over a prolonged period by mechanisms such as improved guarantee thresholds, there may be a need for more direct assistance to smaller producers. This could work to the disadvantage of British farmers and affect our share of FEOGA receipts. Our aim must be to ensure that so far as possible such assistance is nationally funded.

20. The accession of Spain will increase expenditure on Mediterranean products. The cost of support of those regimes has already increased by 250% over the past five years, though the total cost of support for Mediterranean agriculture is still less than expenditure on milk alone, which continues to account for 20% of the total Community budget. The strength of the dollar has held down the cost of export restitutions and Community aids, particularly on cereals and oil seeds. A substantial fall in the dollar, coupled with changes in US farm policy, could cause a further escalation of CAP costs. But it remains to be seen whether Congress will permit the US Administration really to cut farm support.

21. Both the French and the Germans have been prepared already to devote substantial resources to national support for agriculture, and a wider shift towards more national financing of agriculture may come about over the next few years, either through being accommodated within the overall framework of the CAP or as direct national aids - though such developments will continue to be strongly resisted by the main CAP beneficiaries and significant distortions of competition would have to be avoided.

Community Research and Development

22. There is a general recognition of the need for more effective cooperation and pooling of effort between European companies operating in specific high technology sectors and there will be continuing pressures to do more to stimulate this. Other

governments see this and industrial collaboration, as well as completion of the common market, as among the keys to competing with the United States and Japan. But they are coming to accept our view that the emphasis should be on stimulating and coordinating action by industry and the research institutes themselves. Some Community expenditure on R and D has not been as well directed as it could be. We must insist on a continuing review of its cost effectiveness.

23. Properly defined Community programmes can be worthwhile when they are specifically tailored to stimulate cooperation between leading companies. Good examples of this joint approach include ESPRIT and could include a re-defined version of RACE (Research into Advanced Communications in Europe), which is strongly supported by industry and would have more attraction if industry itself were to assume the main financial burden. Our objective should be to steer Community funding towards projects of this type and, quite apart from Community funding, to promote closer industrial cooperation. The European Council has agreed that a higher proportion of the Community's resources should be devoted to R&D though, at our insistence (with some support from the FRG), it rejected the Commission's proposal to raise R&D expenditure from 3% to 6% of the Community budget by 1989. We should continue to point out that the scope for increased expenditure in this area will depend on what can be done about limiting the proportion of the budget devoted to the CAP.

24. The French proposal for a European Research Coordination Agency (EUREKA) is not likely to prosper in the form initially advanced, i.e. envisaging large-scale public funding. But some further effort to coordinate the application of research activities is likely to be the first variable geometry project in the enlarged Community, with the Germans, Dutch and Italians expressing interest in a better defined scheme, involving genuine coordination and very limited public funding outside the Community framework.

External Policy

25. Spain is independent-minded, but on most issues has been moving closer to the majority view in the Community. Portugal is already a well schooled member of NATO. Both Spain and Portugal voted with us at the last UN General Assembly on every occasion when the Ten were united. Spanish and Portuguese membership of ~~the~~ Community will be a net plus for the Alliance, and participation in political cooperation is likely to draw Spain further towards the mainstream of Western and Alliance thinking. Gonzalez will want to play a more responsible role than Papandreou, but Spain may still create problems over the Middle East and Central America. On the Falklands, Community support - already fragile - will become more difficult to sustain (though Spain will want to continue to avoid taking a very advanced position on this). A formal agreement on political cooperation should be so devised as to make it harder for EC countries to take positions in the UN or elsewhere which could affect key national interests of other member states.

26. The United States attached great importance to the success of the enlargement negotiations; they were concerned about the consequences in Spain and Portugal if they failed, as well as the effects on Spanish membership of the Alliance. But they will lose agricultural exports to Spain and Portugal and, once in the Community, Spain is likely to join France in the protectionist camp. The avoidance of serious trade friction with the United States will depend on the development of US and EC farm policies and the handling of the new GATT round.

27. The Mediterranean countries will be directly affected, particularly Tunisia and Morocco. We and others will resist pressures to compensate them for loss of markets with increased financial aid. We shall argue for continued trade access for the more significant agricultural exports of the Mediterranean countries, which are bound to be affected anyway by Spanish production and agricultural efficiency. Negotiations on this subject will continue in the Community throughout the latter part

of this year.

Achieving our objectives

28. The Community's prospects will depend on its ability to deal with the practical problems it faces now, and which enlargement is likely to compound. It is easier to divert attention to institutional reform than to take the difficult policy decisions necessary to complete the common market or reform the CAP.

29. Concern at the consequences of enlargement lies behind much of the current debate on the development of the Community, in particular on decision taking. There will have to be increased use of majority voting on non-vital issues if decisions are to be arrived at on a reasonable timescale. The UK has an interest in encouraging practical improvements in decision taking, both to counter increased difficulties in obtaining consensus and to bring about key reforms. Our aim must be to get agreement on measures which will have some practical effect, including the avoidance of the referring upwards of problems from the Council of Ministers to the European Council; and insistence by the Council of Ministers that decisions on matters of lesser importance should be taken in COREPER. We share the French and German concern to apply some additional pressure to systematic dissidents like the Greeks. This must be done by political and procedural means. The reality will remain that no member state is prepared to be voted down on issues of major importance. We should present this to others less in terms of the Luxembourg compromise - to which some of them still feel bound formally to object - than of the basic understanding on which the Community rests and which they all know actually to govern decision-taking in the Council. To vote a country down on a matter which genuinely is of very important national interest would be more damaging to the cohesion of the Community than a delay in decision-taking.

30. Enlargement will bring some increased nostalgia for the supposedly more cohesive and economically compatible Community of the Six. The Six claim that they could agree to further

institutional development and increased cooperation in other areas. There has been some evolution in French attitudes e.g. on majority voting - though not as far as they would have others believe. The Six are no more prepared to see their national interests disregarded than we are, but there is a difference in domestic political attitudes, as well as the accompanying rhetoric. If the enlarged Community were to prove unmanageable or unreasonably costly, there could be a reversion to cooperation among the Six - though that would depend on our own policy at the time. The core grouping the Six themselves would most like to see encouraged in the enlarged Community is that of the WEU Seven. We have the same objective, as the Seven are potentially the most homogeneous major grouping, comprising countries whose economic structures and levels of development are most similar, and who are close together in their views on key defence and security issues.

31. Some measure of variable geometry will be desirable and indeed inevitable. This certainly will continue to be the rule in relation to major collaborative projects such as Airbus. More generally, where progress within the enlarged Community is held up, we shall see groups of member states taking action on their own. In areas where some member states wish to intensify their cooperation in one area or another, the option for others to join later must be left open. Most business will still need to be conducted on a Community basis, but a new balance will have to be struck between common action by the Twelve and cooperation in smaller groupings. Membership of the enlarged Community could have limited value unless we form part of the inner groupings that are likely to develop in areas of key interest to us. Otherwise we could see a Community dominated by a substantially unreformed CAP and structural funds in which the northern member states have declining real interest, with much of the real action - completion of the internal market, industrial collaboration etc - taking place in ad hoc groups.

32. A series of concentric circles is more likely than a single exclusive group. In some areas - particularly the progressive

abolition of frontier formalities - there is already increased cooperation among the Five (France, Germany and the Benelux). They face practical difficulties and progress will be laborious, but they are trying to make progress towards a common travel area. It will take a long time for them to achieve the virtual elimination of frontier formalities between them, but that is the direction in which they are headed. The French and Germans also have done a good deal of work on standards. Here too progress has been slow and there is increasing acceptance in the Community of our view that what is required is the mutual recognition of existing standards with common standards for new products and technology.

33. Over the past year, what threatened to be a partially exclusive alliance between France and Germany has come under considerable pressure. The French and Germans will try to establish a position of leadership and have developed a particularly close pattern of consultation. But they will have their work cut out to adjust their existing policies to the new situation. Despite the political theatre surrounding it, the Franco-German relationship is by no means easy. A special feature of French policy is the great importance they attach to tying the Germans ever more securely into the Western European system. They are worried by trends in German opinion. Successive German Chancellors also have been tying the FRG into the European framework as the best safeguard against the development of more nationalist or neutralist attitudes. We share these concerns and should be less inhibited in private discussions about acknowledging this. It is a factor which needs to be given due weight in the formulation of our own policy.

34. Both France and Germany have found it easier on some key issues to cooperate with us than with each other. We have found it easier to work with the French than the Germans on the main budgetary issues. The French are mid-way between us and the Germans in their attitude to the institutional development of the Community. The Germans see us as their natural allies on trade

policy. Enlargement will accentuate that.

35. Despite the inevitable clashes of interest, permanent French egocentricity, and the no less permanent and damaging confusion in German policy, our ability to get things done in the enlarged Community and to establish a new equilibrium in it will depend crucially on the effectiveness of our cooperation with the French and Germans, separately as well as jointly. A determined effort must be made to work out with them a strategy for the management and development of the enlarged Community. In the main this cooperation will have to continue to be organised bilaterally to avoid friction with others. But we shall need to enlist the support of the northern Member States generally in containing Mediterranean pressures, and to work closely with the Dutch on completion of the common market. We shall have allies on all of these issues, the most important change of all being the movement of France into the same camp as us and the Germans as net contributors to the Community budget. The enlarged Community will account for 20% of world trade. But the economic and political influence it can bring to bear will depend primarily on the leadership we, the French and Germans can provide. Our own influence with other countries, including the United States, will be affected by the extent to which we are seen to be playing a central role in the Community.

Effects of Enlargement on Other Member States

1. The French no longer even pretend to express much enthusiasm for the Mediterranean dimension of the Community. French wine, fruit and vegetable producers will be vulnerable by the end of transition - hence M. Chirac's opposition to Spanish accession. But France is already a major industrial investor in Spain. She will exploit the new market opportunities, while enlisting Spanish protectionist instincts both in external trade and the internal market.

2. The French expect to overtake us as net contributors to the Community budget in 1987. They have already adopted a much more restrictive attitude towards CAP expenditure. They will have to look after their own Mediterranean regions (they were obliged to support IMPs even though they will be major net contributors) and will continue to oppose nationalisation of the CAP. But they do now see a greater convergence of interests with us. The French will continue to attach great importance to the Community as a way of locking their economy into that of the Federal Republic and maximising their political influence. But the original bargain whereby the French opened up their market in industrial goods in return for German under-writing of the CAP has been overtaken. They will want in due course to "correct" their own financing burden and expose Benelux and Denmark to their real share, while ensuring that the Germans remain the main paymasters.

3. Germany gave very strong political support to enlargement, but is worried about the budgetary consequences. Increased French questioning of CAP expenditure on northern products is exposing the contradiction between German protestations of devotion to budgetary control and their insistence on fixing high prices for northern products. The German Government still shows no readiness to grasp this nettle and German policies on central issues, especially the CAP, will continue to be indecisive, confused and short-sighted.

4. The Germans will be restrictive about most forms of Community expenditure other than the northern CAP regimes. They will claim that they cannot be expected to carry so large a share of transfer payments to poorer (ie Mediterranean) Member States, and will want to limit the growth of the structural funds. Despite the budgetary burden, the Community brings them major benefits. They will be well placed to exploit the opening up of the Spanish market for industrial goods. They are running a very large visible trade surplus vis à vis the other member states - over \$8.5 billion in 1984 (with a \$5.4 billion surplus with France and \$2.6 billion with the UK). Nevertheless as soon as the 1.4% VAT ceiling is reached the FRG will try to make up for having been out-manoeuvred at Fontainebleau by insisting on some correction of its own budgetary contribution before agreeing to any further increase in the VAT rate. In view, however, of their attitude on agricultural prices and large trade surplus, they will encounter considerable resistance.

5. Benelux. The Dutch are the most important here. They accept that it is necessary to control costs of northern as well as southern CAP products. They are liable to be caught by longer term changes in the Community's financial system, but in most areas they will continue to see their interests in much the same way as the UK and will be a useful ally. The Benelux countries generally will give high priority to abolishing frontier controls, particularly with France and Germany.

6. Italy remains a substantial beneficiary from the budget. But while enlargement may strengthen her negotiating hand on Mediterranean issues (eg southern CAP products) it poses a clear threat to her interests. Her prosperity will still be below the Community average, but she can no longer expect to get large net benefits: these will have to be shared out among more Mediterranean claimants. Italy can see this coming: hence her determination to qualify for IMPs, and chagrin that we have been able to limit this so much that Italy could end up as a net

contributor. Italy will continue to try to have the best of both worlds - to claim a place at the top table while leading Mediterranean attempts to maximise their benefits.

7. Greece, Ireland and Denmark, for different reasons, all occupy a more marginal position in the existing and will do so in the enlarged Community. Greek benefits, thanks to the agreement on IMPs, will not be diminished for some years after enlargement. Under Papandreou Greece no doubt will continue a policy of blackmail, but will much have less leverage. There is increasing resentment of the Greek role in political cooperation. Greece is likely progressively to be brought to book over Treaty infringements. Ireland is worried that the Mediterranean tilt will lead to a loss of benefits. Irish non-participation in the Alliance leads them to occupy an uneasy position in political cooperation. Denmark, second only to Germany in the prosperity league, remains a significant net beneficiary from the budget through the CAP, demonstrating the perversity of existing transfers. The Danes have put themselves into a peripheral position through over-use of the Luxembourg compromise and what is seen as a general lack of interest in the Community except for the CAP.

8. Overall there will be a fundamental change from the days of the Nine when there was only one poor country, which was also small (Ireland). With four or five relatively poor countries, the enlarged Community will have its own North/South divide.

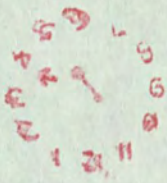
POPULATION, RELATIVE PROSPERITY AND NET BENEFITS

	Population (millions) (1984)	GNP per head as % of EC-12 average (1983)	1983 Net Benefits from EC Budget (mecu)
Luxembourg	0.4	145	-38
Denmark	5	137	+276
FRG	61	136	-2647
France	55	124	-251
Netherlands	14	118	+295
Belgium	10	109	-452
UK	55	108	-1000 (after correction)
Italy	56	75	+776
Ireland	3.5	57	+756
Greece	10	47	+973
Spain	38	57	**
Portugal	10	26	**

** On the basis of Commission estimates, which are subject to wide margins of error, Spanish net benefits are expected to be close to zero throughout much of the transitional period (between -25 and +100 mecu pa). On a similar basis the Portuguese net benefits are estimated at 56 mecu in the first year of transition, 200-300 mecu in each of the four following years. Spanish benefits should become significant in the latter part of the transitional period and will be substantial thereafter.

EURO Po: Enlargement

Pt 2.



6-1985

PRIME MINISTER

C.M.

SIGNATURE OF SPANISH AND PORTUGUESE ACCESSION
TREATY

We have been struggling to keep open the option for you to participate in the signature of this Treaty if most other Community Heads of Government do so.

Unfortunately, there are objections from others to the dates you could manage: and you cannot get away on the dates that all of them can make (notably 12 June, which is when you have your talks and lunch for the President of Mexico).

The only date which might still prove negotiable is 13 June. It is far from ideal for you - Cabinet and Questions - but not absolutely impossible.

Agree:

(i) *(I don't think we can manage the 13th)* that we can propose 13 June as a date which you might be able to manage. (In practice, you would only consider going if it turned out that you were the only major Community Head of Government not to go).

✓ (ii) That we discreetly encourage the tendency of one or two other Heads of Government to be represented instead by their Foreign Ministers. This would not leave you sticking out as the only one not to go. I know that Chancellor Kohl is inclining this way, and you might be able to cement an alliance with him when you meet on 18 May.

C.D.I.

8 May 1985

CHARLES POWELL



MFJ

cc: PC

10 DOWNING STREET

From the Private Secretary

30 April 1985

Dear Colin,

European Community: Signature of the Accession Treaty
with Spain and Portugal

Thank you for your letter of 29 April about dates for signature of the accession treaty.

As I told you on the telephone this morning, the Prime Minister would be grateful if efforts could be made to avoid 12 June which would be impossible for her. However, this should not be taken to imply that she has reached a firm decision to attend on any other date only that the option of doing so is kept open.

Yours sincerely
Charles Powell

Charles Powell

Colin Budd Esq
Foreign and Commonwealth Office

CONFIDENTIAL

DSJ



Prime Minister

Foreign and Commonwealth Office
London SW1A 2AH

There is much to be said for your participating in the signature, particularly in the case of Portugal

29 April, 1985

You could not go on 12 June because of the state visit. 10 June would be possible for

Dear Charles, you: but if we press hard for it tomorrow, we are virtually committing you to go. Can we have a word, please?

European Community: Signature of the Accession Treaty
with Spain and Portugal

Yes Mr

CJP
29/4

The Spanish and Portuguese governments are as you know anxious that the accession treaties should be signed, on the same day, in Lisbon and Madrid, and that member states should if possible be represented at head of government level.

There has been considerable argument in the Community about dates; and we have of course reserved our position as to whether the Prime Minister might be able to attend. In the Ministerial session in Luxembourg today, virtually all other member states said that they could accept signature in Lisbon and Madrid on 12 June. The Italians, Belgians and Danes said they would definitely be represented at head of government level; and the same seems likely to be true of the French and Irish.

Mr Rifkind and Sir Michael Butler made clear that 12 June would not be possible for the Prime Minister because of the Mexican State Visit. There was virtually no support, however, for the alternative date of 18 June.

There are precedents for us to be represented at Foreign Secretary level. Lord Carrington signed the accession treaty for Greece on behalf of the British Government.

There is one point of potential difficulty in relation to Spain. Since in signing the Treaty the Spaniards have to accept that Gibraltar is a territory for which we are responsible, they are stating that they will have to enter a unilateral statement annexed to the Treaty that will protect their position. We told them that any statement of this kind should be made separately (they have undertaken to reflect, though they may return to the charge). We shall keep you informed about this.

It would be very well received in Lisbon and Madrid if the Prime Minister could attend. The

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Secretary of State recognises, however, that if it is not possible to shift the date, that will not be feasible. In that event he believes that it would be understood why she was unable to do so. Messages could be sent to Soares and Felipe Gonzalez explaining that Sir Geoffrey Howe would sign on behalf of the British Government. In view of the difficulties for us over 12 June, Signor Andreotti has suggested to Mr Rifkind that the one date on which it might be possible to reach agreement as an alternative is Monday, 10 June. It is clear that we should have to press that case hard in the Foreign Affairs Council tomorrow if we wished it to stand a chance of success.

I should be grateful to know whether the Prime Minister wishes Sir Michael Butler to press hard for agreement on 10 June, so that she might attend the ceremonies in Lisbon and Madrid; or whether we should agree to 12 June, making clear that the Foreign Secretary would then have to sign on behalf of the United Kingdom.

*Yours ever,
Colin Budd*

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

GRS

CONFIDENTIAL

CONFIDENTIAL
FROM EXTERNAL
FM LISBON 171630Z APR 85

TO IMMEDIATE FCO

TELEGRAM NUMBER 202 OF 17 APRIL

AND TO PRIORITY UKREP BRUSSELS

INFO ROUTINE OTHER EC POSTS AND MADRID

Prime Minister

The question may arise whether you should attend. But it's in the recess, & you ought to keep that inviolate.

E C ENLARGEMENT

1. THE ITALIAN AMBASSADOR GAVE A COMMUNITY LUNCH TODAY FOR THE PORTUGUESE PRIME MINISTER. SOARES CAME ACCOMPANIED ONLY BY A COUPLE OF PERSONAL STAFF, AND SPOKE VERY FREELY. THE FOLLOWING IS WORTH NOTING.

ought to keep that inviolate.

1) SIGNATURE OF TREATY (UKREP TELNO 1323 REFERS)

*CDD
10/4.*

SOARES SAID THAT THIS HAD BEEN DISCUSSED AT LENGTH IN MADRID AT THE MEETING OF SOCIALIST LEADERS, AND THAT CRAXII, GONZALEZ AND HIMSELF HAD AGREED THAT THE BEST POSSIBLE TIME FOR SIGNATURE WOULD BE ON A DAY BETWEEN 30 MAY AND 2 JUNE. BOTH IBERIAN PRIME MINISTERS WANTED, FOR PUBLICITY REASONS, TO HAVE A SIGNATURE CEREMONY IN CAPITALS. WHAT SOARES ENVISAGED WAS THAT REPRESENTATIVES OF THE TEN SHOULD ARRIVE IN LISBON EITHER EARLY IN THE DAY OR ON THE PREVIOUS EVENING, FOR A SIGNATURE CEREMONY IN THE LATE MORNING FOLLOWED BY A LUNCH. GONZALEZ WOULD ALSO ATTEND. THE WHOLE PARTY WOULD THEN FLY ON TO MADRID, SOARES INCLUDED, FOR AN IDENTICAL CEREMONY THERE IN THE LATE AFTERNOON.

ms

SOARES HOPED THAT MEMBER STATES WOULD BE REPRESENTED AT THE HIGHEST LEVEL, IF POSSIBLE BY HEADS OF GOVERNMENT. HE SAID THAT HIS PERSONAL IDEA WAS TO HAVE THE CEREMONY IN THE TORRE DE BELEM, FOR SYMBOLIC REASONS. IT WAS FROM THERE THAT PORTUGUESE NAVIGATORS HAD SAILED CENTURIES AGO TO OPEN UP THE WORLD AND FIND AN OVERSEAS DESTINY FOR PORTUGAL. HE WISHED TO SYMBOLISE PORTUGAL'S NEW DESTINY BY HAVING THE ACCESSION TO EUROPE CONFIRMED THERE.

2) PRESIDENCY

ASKED WHETHER PORTUGAL WISHED TO PRESS FOR THEIR FIRST PRESIDENCY IN THE SECOND HALF OF 1986, SOARES SAID THAT THERE WERE VARIOUS VIEWS WITHIN THE GOVERNMENT HERE. HE WAS INCLINED TO TAKE THE ADVICE OF ENANI LOPES, WHO WAS BEST INFORMED AND REALISTIC. LOPES THOUGHT THAT PORTUGAL SHOULD PASS UP ITS TURN IN 1986. BUT SOARES CLAIMED THAT GAMA AND THE MINISTRY OF FOREIGN AFFAIRS WERE KEEN TO HAVE THE PRESIDENCY AT THE FIRST POSSIBLE OPPORTUNITY FOR REASONS OF PRESTIGE. THE DECISION WOULD BE TAKEN BY THE COUNCIL OF MINISTERS BEFORE LONG. SOARES SAID THAT HE WAS AWARE THAT THE IDEA HAD BEEN

CONFIDENTIAL / FLOATED

CONFIDENTIAL

FLOATED THAT PORTUGAL WOULD QUOTE SWITCH PLACES WITH THE UK UNQUOTE ALLOWING THE UK TO PRESIDE IN THE SECOND HALF OF 1986 AND PORTUGAL IN THE FIRST HALF OF 1987. SPEAKING PERSONALLY, HE THOUGHT TO WAIT SIX FULL YEARS WOULD BE TOO MUCH.

III) THE FUTURE OF EUROPE

ASKED ABOUT PORTUGAL'S VIEW ON FUTURE DEVELOPMENTS OF THE COMMUNITY SOARES SAID THAT THERE WAS NO OFFICIAL GOVERNMENT POSITION BUT HE COULD GIVE HIS OWN STRONGLY HELD VIEWS. HE WAS A COMMITTED EUROPEAN AND BELIEVED THAT COUNTRIES LIKE PORTUGAL WOULD BE WISE TO CAST THEIR DESTINY FIRMLY WITH A STRONG DEMOCRATIC WESTERN EUROPE.

IF THEREFORE THERE WERE TO BE THE EMERGENCE OF A QUOTE TWO SPEED EUROPE UNQUOTE HE WOULD EXPECT TO FIND PORTUGAL IN THAT GROUP WHO WISHED TO MOVE FASTEST TOWARDS UNITY.

BYATT

FRAME EXTERNAL

ECD (E)

2

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

4 April, 1985

Dear Mark,

ms

Enlargement

Now that the main issues in the enlargement negotiations have been settled, you may wish to know in more detail how the outcome compares with the objectives identified at the Prime Minister's ad hoc meeting of Ministers last September (Charles Powell's letter of 14 September).

We have secured all the objectives identified as important in that discussion.

Spanish industrial tariffs will be cut by 52½% over the first three years. The reduced duty quota on cars will be continued on improved terms, within which Senor Moran, in a confidential exchange, has guaranteed that our exporters will receive a quota of at least 5,000 cars in 1986, 6,000 in 1986 and 7,000 in 1988. The outcome on steel is also satisfactory. During the three years after accession, Spain will have to make capacity cuts sufficient to make her industry viable, as other member states have done. State aids are allowed during this period, but Spanish sendings to EC markets would continue to be restricted. The Foreign Secretary was grateful for the important part played by Mr Channon in tying up the details of this package at the December Foreign Affairs Council.

On olive oil the battle was internal to the Community rather than with the applicants. The Italians finally agreed a text which provided for reform of the regime with a guarantee threshold in the event of a surplus. It will take Spain twenty years to reach full EC price intervention levels unless the regime is reformed. We shall keep up the pressure on the Commission to introduce proposals for a guarantee threshold in time for the 1986 price fixing. On wine the Spaniards have accepted the terms of the Dublin agreement which imposes guarantee thresholds. As regards British Sherry, Ministers agreed in September that the point might be settled by



a very long transitional period, although not without further consideration between the Ministers principally concerned. The Spaniards, for whom the issue is also sensitive, were prepared to offer a derogation of up to 10 years in the negotiations last week, but continued to resist an indefinite derogation in the Accession Treaty. The problem was eventually dealt with by the Spaniards taking note of the EC position (which protects British sherry) but reserving the right to raise the question once they join the Community. When the technical annexes to the Treaty are negotiated, the Spaniards may continue to resist specific protection for the term British sherry in the Treaty, (which we need, since "sherry" will become a protected appellation). Tactically, however, we shall be well placed, since the Spaniards will be arguing against an agreed Community position.

We obtained a satisfactory outcome on assuring supplies to Portugal of ACP raw cane sugar thereby preventing Portuguese and UK refineries - Tate and Lyle - competing for limited supplies. The Portuguese are assured a reduced levy quota of 75,000 tonnes a year - not as much as we would have liked, but with an additional mechanism to deal with any shortfall for 7 years after accession. There will be a review in the 6th year of transition to see whether the arrangements should continue after the end of the transition. We have got a satisfactory deal on northern agricultural products, which Mr Jopling raised in correspondence after the 13 September meeting. The surveillance arrangements to protect the Spanish market for the first 3 years after accession as regards EC imports of dairy products, beef and bread-making wheat allow for considerable annual percentage increases. UK horticulturalists will be protected by the ten years tariff transitional arrangements for Spanish fruit and vegetables.

The outcome on Fisheries was particularly satisfactory. The mechanism of formally integrating Spain into the CFP for its duration (to 2002), while in practice imposing very strict limitations on numbers and controls; proved to be the face-saver the Spaniards needed, though they will try for improvements at the time of the 1993 review. There is an outstanding problem over the allocation of the 4,500 tonnes of hake between the Bay of Biscay and more Northern waters, and this will need to be discussed further in the next Fisheries Council, but is not a major issue in relation to those already settled. Mr Mason and Mr Griffiths of the MAFF gave invaluable support to Ministers in the negotiation of the fisheries package.



On social affairs, there will be seven years transition on the free movement of workers. Gibraltar's interests have been protected.

The question of the transitional financing arrangements, which at one time looked likely to be a major issue, was resolved on a satisfactory basis. M. Delors, after confirming this with M. Dumas, accepted our representations on what had been agreed at Fontainebleau and over-ruled efforts by Natali and the German Finance Ministry to try to re-open the matter. As a result the cost to the UK of the transitional financing arrangements for Spain and Portugal (degressive VAT refunds over 7 years) will be small; indeed if the Commission's calculations are correct and Spain is indeed left in a financially neutral position, Spanish accession should involve no net cost to us in 1986.

The terms for Portugal are reasonably generous, and properly so given her low GDP per head. For Spain the terms are tough. The French were able to secure long transitional arrangements for Mediterranean products, though in the end their interests will suffer as growers in the Midi are exposed to Spanish competition. The French also have particular concerns about the Spanish fishing effect in the Bay of Biscay - and failed in their attempts to divert part of this to the North Sea. Enlargement over time will impose significant costs both direct and indirect on the UK. Unlike the French and Germans, however, we are protected by the Fontainebleau mechanism.

The Community has yet seriously to address the question of the impact of enlargement on the Mediterranean partners. Negotiations will start within the Community during the summer. We shall be working with the Northern Member States to preserve their agricultural trade access, on the basis of the declaration agreed by the Foreign Affairs Council on 29 March.

There still remains a considerable amount of technical work to be done before the negotiations are finally concluded and some weeks will also be needed to finalise Treaty texts. We would expect signature to take place during June before the end of the Italian Presidency.

The Foreign Secretary will be consulting the Legislation Committee on handling the necessary legislation in Parliament. The best date for introduction to Parliament of the Bill on Spanish and Portuguese accession will be at the outset of the new Parliament



in the autumn, with all the stages being taken after the debate on the address and before Christmas, to enable us to meet the 1 January 1986 deadline.

The Foreign Secretary feels that these are satisfactory results for UK interests. He would like to thank his colleagues in the MAFF, DTI and Treasury and their officials who contributed to this outcome, and to record the remarkable contribution of Sir Michael Butler and his staff in the Permanent Representation.

We shall be letting you have separately a paper on the enlarged Community.

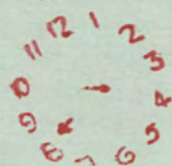
I am copying my letter to Rachel Lomax (HM Treasury), Ivor Llewellyn (MAFF), Callum McCarthy and A N Rees (DTI) and Richard Hatfield (Cabinet Office).

Yours Sincerely,
Colin Budd

(C R Budd)
Private Secretary

Mark Addison Esq
10 Downing Street

F 4 APR 1985



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10328 - 1

RR ATHENS
RR ROME
GRS 276
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FRAME EXTERNAL
FM FCO 041230Z APR 85
TO IMMEDIATE LISBON
TELEGRAM NUMBER 127 OF 04 APRIL
INFO PRIORITY UKREP BRUSSELS
INFO ROUTINE OTHER EC POSTS, MADRID
EC/PORTUGAL: MESSAGE FROM PORTUGUESE PRIME MINISTER

MXE 020/354/2		
RECEIVED IN REGISTRY		
10 APR 1985		
DESK OFFICE		
IN	OUT	

1. THE PRIME MINISTER HAS RECEIVED THE FOLLOWING MESSAGE FROM
DR SOARES (TRANSLATION PROVIDED BY PORTUGUESE EMBASSY):-
BEGINS:

'DEAR PRIME MINISTER

AT THE MOMENT WHEN THE NEGOTIATIONS FOR THE ACCESSION
OF PORTUGAL TO THE EEC COME TO AN END, I WOULD LIKE TO
EXPRESS TO YOU MY GOVERNMENT'S APPRECIATION, AND MY OWN,
FOR THE CONTRIBUTION YOU HAVE ALWAYS GIVEN TO THE
SPEEDING UP OF NEGOTIATIONS AND FOR YOUR PUBLIC SUPPORT
TO THE ENLARGEMENT OF THE EUROPEAN COMMUNITIES TO INCLUDE
SPAIN AND PORTUGAL.

PLEASE ACCEPT THE EXPRESSION OF MY HIGHEST
CONSIDERATION AND FRIENDSHIP.

MARIO SOARES'

ENDS.

2. SHE HAS APPROVED THE FOLLOWING REPLY:-
BEGINS:

'DEAR PRIME MINISTER

THANK YOU FOR YOUR LETTER OF 1 APRIL.

I AM DELIGHTED THAT FINAL AGREEMENT ON THE MAJOR
OUTSTANDING PROBLEMS IN THE ENLARGEMENT NEGOTIATIONS
WAS REACHED IN BRUSSELS LAST WEEK. I AM GLAD THAT WE
WERE ABLE TO WORK SO CLOSELY TOGETHER TO BRING THOSE
NEGOTIATIONS TO A SUCCESSFUL CONCLUSION. I LOOK FORWARD
NOW TO WORKING WITH YOU IN THE ENLARGED COMMUNITY. IT

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10328 - 1

WAS A PARTICULARLY HAPPY COINCIDENCE THAT THE AGREEMENT SHOULD HAVE BEEN REACHED DURING HER MAJESTY THE QUEEN'S VISIT TO YOUR COUNTRY.

WITH BEST WISHES,
MARGARET THATCHER'

ENDS.

3. PLEASE DELIVER THIS REPLY AS SOON AS POSSIBLE TO THE PRIME MINISTER'S OFFICE.

4. THERE WILL NO BE A SIGNED ORIGINAL : THERE WAS NO TIME TO PRODUCE ONE BEFORE THE PM LEFT ON HER FAR EAST TOUR.

HOWE

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FRAME EXTERNAL
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16
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10 DOWNING STREET

From the Private Secretary

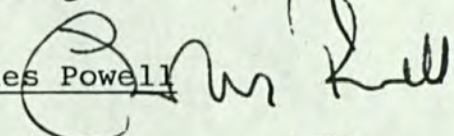
4 April 1985

Dear Colin,

European Community: Portuguese Accession

Thank you for your letter of 3 April enclosing a draft reply to the Portuguese Prime Minister's message.

The Prime Minister has approved this. It will not be possible to get a signed copy of the message before her departure so reference to it is best deleted from your telegram.

Yours sincerely

Charles Powell

Colin Budd Esq
Foreign and Commonwealth Office.

RESTRICTED

16

SUBJECT
cc Master. Ops.

EL



PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T64/85

10 DOWNING STREET

THE PRIME MINISTER

4 April 1985

Dear Prime Minister,

Thank you for your letter of 29 March.

I should like to congratulate you and your negotiators on the major step forward recorded in Brussels last week with final settlement of the main outstanding problems on the enlargement negotiations. We in Britain have consistently supported Spanish accession to the EC and worked for rapid conclusion of the negotiations, and it gives me great pleasure that a satisfactory agreement has been reached. It was especially gratifying that we were able to co-operate so closely with your delegation throughout the course of these negotiations.

I very much look forward to seeing Spain as a European Community partner on 1 January 1986 and to working with you in the enlarged Community.

With best wishes.

Yours sincerely
Margaret Thatcher

His Excellency Senor Don Felipe Gonzalez Marquez



10 DOWNING STREET

From the Private Secretary

4 April 1985

Dear Sir,

I enclose a signed copy of the Prime Minister's message to the Spanish Prime Minister, somewhat revised from the draft which you sent us. I should be grateful if it could be despatched by telegram.

Yours sincerely
Charles Powell
Charles Powell

Colin Budd Esq
Foreign and Commonwealth Office.

RESTRICTED

CCPC
①



Foreign and Commonwealth Office

London SW1A 2AH

3 April, 1985

Dear Charles,

Prime Minister
Agree to
proposed
reply?
CDP
3/4

European Community: Portuguese Accession

In your letter of 2 April, you asked for a draft reply to the Portuguese Prime Minister's message of 1 April. This is attached.

If the Prime Minister approves the message, we will arrange to have the text sent telegraphically to Lisbon.

Yes.
mt

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

OUT TELEGRAM

	Classification and Caveats RESTRICTED	Precedence/Deskby IMMEDIATE
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ZCZC	1	ZCZC
GRS	2	GRS
CLASS	3	RESTRICTED
CAVEATS	4	FRAME EXTERNAL
DESKBY	5	
FM FCO	6	FM FCO APRIL 1985
PRE/ADD	7	IMMEDIATE LISBON
TEL NO	8	TELEGRAM NUMBER
	9	INFO PRIORITY UKREP BRUSSELS
	10	INFO ROUTINE OTHER EC POSTS, MADRID
	11	EC/PORTUGAL: MESSAGE FROM PORTUGUESE PRIME MINISTER
	12	1. The Prime Minister has received the following message from
	13	Director ^{DR.} Soares (translation provided by Portuguese Embassy):-
	14	Begins:
	15	"Dear Prime Minister
	16	At the moment when the negotiations for the accession
	17	of Portugal to the EEC come to an end, I would like to
	18	express to you my Government's appreciation, and my own,
	19	for the contribution you have always given to the
	20	speeding up of negotiations and for your public support
	21	to the enlargement of the European Communities to include
///	22	Spain and Portugal.
//	23	Please accept the expression of my highest
/	24	consideration and friendship.
	25	MARIO SOARES"

NNNN ends telegram	BLANK	Catchword Ends.
File number	Dept ECD(E)	Distribution Frame External ECD(E) SED Mr Derek Thomas
Drafted by (Block capitals) T G PAXMAN		
Telephone number 233-4004		
Authorised for despatch		
Comcen reference	Time of despatch	

OUT TELEGRAM (CONT)

	Classification and Caveats RESTRICTED	IMMEDIATE	Page 2
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<<<<
Ends.
2. She has approved the following reply:-
Begins:
"Dear Prime Minister
Thank you for your letter of 1 April.
I am delighted that final agreement on the major
outstanding problems in the enlargement negotiations
was reached in Brussels last week. I am glad that we
were able to work so closely together to bring those
negotiations to a successful conclusion. I look forward
now to working with you in the enlarged Community. It
was a particularly happy coincidence that the agreement
should have been reached during Her Majesty The Queen's
visit to your country.
With best wishes,
MARGARET THATCHER"

Ends.
3. Please deliver this reply as soon as possible to the
Prime Minister's Office. Signed original follows by bag.

HOWE
NNNN

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NNNN ends telegram	BLANK	Catchword
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APR 13 1985

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CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

2 April, 1985

Dear Charles,

European Community: Spanish Accession

In your letter of 1 April, you asked for a draft reply to Senor Gonzalez' message of 29 March, if one was felt to be appropriate, by the evening of 2 April. In our view a short reply would indeed be appropriate. I therefore enclose an informal translation of the Spanish message and a draft reply to the Spanish Prime Minister. If the Prime Minister approves the message, we will arrange to have the text sent telegraphically to Madrid.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

OUT TELEGRAM

	Classification and Caveats RESTRICTED	Precedence/Deskby IMMEDIATE
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TEL NO

1 ZCZC
2 GRS
3 RESTRICTED
4 FRAME EXTERNAL
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6 FM FCO APRIL 1985
7 IMMEDIATE MADRID
8 TELEGRAM NUMBER
9 INFO PRIORITY UKREP BRUSSELS
10 INFO ROUTINE OTHER EC POSTS, LISBON
11 UKREP BRUSSELS TELNO 1211: SPAIN/EC: MESSAGE FROM SPANISH PRIME
12 MINISTER
13 1. The Prime Minister has approved the following reply to Senor
14 Gonzalez' message of 29 March:
15 Begins:
16 "Dear Prime Minister
17 Thank you for your letter of 29 March.
18 I should like to congratulate you and your negotiators on
19 the major step forward recorded in Brussels last week with final
20 settlement of the ^{main} ~~major~~ outstanding problems on the enlargement
21 negotiations. We in Britain have ~~firmly and~~ consistently
22 supported Spanish accession to the EC and ~~actively~~ worked for
23 rapid conclusion of the negotiations, and it gives me great
24 pleasure that a satisfactory agreement has been reached. It
25 was especially gratifying that we were able to co-operate so

Grade floor

AFT

*Please type
this as a letter
from the PM to
the Spanish
Prime Minister
CDP*

///
//
/

NNNN ends telegram	BLANK	Catchword closely with your delegation
File number	Dept ECD(E)	Distribution Frame External ECD(E) SED Mr Derek Thomas
Drafted by (Block capitals) M G D EVANS		
Telephone number 233-5337		
Authorised for despatch		
Comcen reference	Time of despatch	

OUT TELEGRAM (CONT)

	Classification and Caveats RESTRICTED	IMMEDIATE	Page 2
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closely with your delegation throughout the course of these negotiations.
I very much look forward to seeing Spain as a European Community partner on 1 January 1986 and to working with you for the future of an enlarged Community that stands for democracy and stability.
With best wishes,
Margaret Thatcher
Ends
2. Please deliver this reply as soon as possible to the Prime Minister's Office. Signed original follows by bag.
HOWE
NNNN

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NNNN ends telegram	BLANK	Catchword
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Emo Rd. Buses 1820

Brussels 29 March

UNOFFICIAL TRANSLATION OF MESSAGE FROM SENOR GONALEZ^z_x

At such an important moment for the future of Europe, after the European Council, and after the culmination of the negotiating process for Spain and Portugal, I should like to thank you in the name of the Government and people of Spain for the intensive efforts made to achieve this outcome.

I should like to assure you here and now of the firm resolve of the Spanish Government to participate as a loyal partner in the future work of the Community and to contribute actively to this historic task of European political construction.



10 DOWNING STREET

From the Private Secretary

2 April 1985

I enclose a copy of a message to the Prime Minister from the Portuguese Prime Minister. I think it would be appropriate for the Prime Minister to reply and should be grateful if you could provide me with a draft.

(Charles Powell)

Colin Budd, Esq.,
Foreign and Commonwealth Office.

BB

010
Portuguese Embassy,
1, Belgrave Square,
London, SW1X 8PP

cpe

Proc. 2,212

No. 33...

London, 2nd April 1985

Dear Mr. Powell

I am sending you a message (together with a free translation) from the Prime Minister of the Republic of Portugal, Senhor Mário Soares, to your Prime Minister.

I would appreciate it very much if you would be kind enough to transmit its contents to the Prime Minister at your earliest convenience.

*Yours sincerely
Jm' M. de Macedo*

(J.M. Shearman de Macedo)
Chargé d'Affaires a.i.

Charles D. Powell, Esq.,
Private Secretary,
The Prime Minister's Office,
London, S.W.1.

SUBJECT
cc master
Ops

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. 59AA/85

1st April, 1985

Free translation of a message addressed by the Portuguese Prime Minister to the British Prime Minister, Mrs. Margaret Thatcher:

"Dear Prime Minister,

At the moment when the negotiations for the accession of Portugal to the E.E.C. came to an end, I would like to express to you my Government's appreciation, and my own, for the contribution you have always given to the speeding up of negotiations and for your public support to the enlargement of the European Communities to include Portugal and Spain.

Please accept the expression of my highest consideration and friendship.

Mário Soares
Prime Minister of the Republic of Portugal"

1 de Abril de 1985

"Sua Excelência o Primeiro Ministro do Reino Unido,
Senhora Margaret Thatcher,

No momento em que as negociações para a entrada de Portugal na C.E.E. chegaram ao seu termo, não quero deixar de expressar a Vossa Excelência o reconhecimento do Governo Português, e o meu pessoal, pela contribuição que Vossa Excelência sempre deu para o aceleramento do processo negocial e pelas públicas tomadas de posição a favor do alargamento da C.E.E. a Portugal e a Espanha.

Peço aceite a expressão da minha maior consideração e amizade.

Mário Soares

Primeiro Ministro da República Portuguesa"

CONFIDENTIAL

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Qz.04301

MR POWELL

FOREIGN AFFAIRS COUNCIL, 17-21 MARCH

The following is a very cryptic summary of the position at the conclusion of this Council:

(i) enlargement. The Council is meeting again on 28 March to try to settle the remaining points. In our view it is likely to do so. The dominant feature was a number of disagreements between France and Spain.

The critical points for Britain have been broadly settled in a very satisfactory way. In particular, in the fisheries sector the application of restrictive arrangements to Spain for 17 years, no access for Spanish fishing vessels to the North Sea and no reductions in any British quotas anywhere is a very good result. Agreement has also been reached on social affairs in a way which deals satisfactorily with the Gibraltar point. At present no-one is challenging the treatment of the transitional financing arrangements for Spain and Portugal on the Greek model which will give us the protection of the Fontainebleau mechanism.

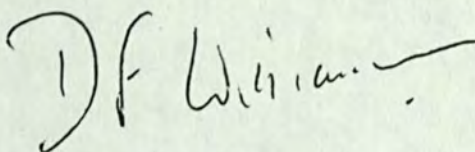
The main outstanding points are in the fisheries sector; the number of Spanish boats on the basic and periodic list (big problem for France), the date at which the Irish Box will be opened to some Spanish fishing and the division of a part of the hake quota between areas (a question of interest to France and Britain but limited in importance because the greater part of the Spanish hake will in any event be taken in the Bay of Biscay). There is also a substantial disagreement between the Community and Spain on wine (primarily a French point);

(ii) own resources and the budget. The result is good and should be presented as good. It is the so-called "mixed solution". There is agreement in the Community on the text of the revised own resources decision (Greek waiting reserve and one minor technical point to be settled). This, subject to the agreement of all national parliaments, will now implement the Fontainebleau agreement.

The revised own resources decision (the 1.4% VAT ceiling) will make available new own resources after ratification of the accession treaties. The United Kingdom's 1000 million ecu abatement for 1984, however, will be available immediately on ratification of the own resources decision itself.

The United Kingdom has also agreed that the 1985 overrun should be financed by an intergovernmental agreement, subject, of course, to the agreement of national parliaments. The size of the budget overrun will be determined by the Budget Council in the normal way.

I am sending copies to Colin Budd (FCO), Rachel Lomax (Treasury) and to Sir Robert Armstrong.



D F WILLIAMSON

22 March 1985

CONFIDENTIAL

C O N F I D E N T I A L

FRAME EXTERNAL

FM UKREP BRUSSELS 171658Z MAR 85

TO IMMEDIATE F C O

TELEGRAM NUMBER 1016 OF 17 MARCH,

INFO COPENHAGEN THE HAGUE ROME DUBLIN PARIS BONN

LUXEMBOURG ATHENS LISBON MADRID,

INFO SAVING BRUSSELS.

FOREIGN AFFAIRS COUNCIL, 17 MARCH.

ENLARGEMENT/OWN RESOURCES. *mf*SUMMARY

1. AT THE MINISTERIAL LUNCH DELORS (PRESIDENT OF THE COMMISSION) PRESENTED OUTLINE PROPOSALS FOR A DEGRESSIVE, FORFAITAIRE ARRANGEMENT, WITH FINANCIAL NEUTRALITY FOR SPAIN AS THE BROAD OBJECTIVE. PORTUGAL SHOULD BECOME NET BENEFICIARY AT AN EARLY STAGE. HE SUGGESTED A REVIEW IF, 3 YEARS RUNNING, THE FINANCIAL RESULT WAS MORE THAN 100 MECU AWAY FROM NEUTRALITY.

DETAIL

2. DELORS SAID THAT THE COMMISSION HAD MADE KNOWN ITS IDEAS ALREADY. THE OBJECTIVE SHOULD BE FINANCIAL NEUTRALITY FOR SPAIN. PORTUGAL SHOULD IN ANY EVENT BECOME A NET BENEFICIARY IN ONE OR TWO YEARS: SPAIN NOT UNTIL MUCH LATER. THE COMMISSION HAD HAD THE CHOICE OF GRADUALLY PHASING IN CONTRIBUTIONS OF THE NEW MEMBER STATES OR DEGRESSIVE REFUNDS, AND DECIDED THAT THE LATTER WAS MORE COMMUNAUTAIRE. SPAIN MUST CONTRIBUTE ON A VAT BASIS FROM THE BEGINNING. THE COMMUNITY SHOULD BE VERY FIRM ABOUT NOT ALLOWING VAT TO BE REPLACED BY GNP CALCULATIONS.

3. DELORS WENT ON TO SAY THAT THERE WERE THREE POSSIBLE METHODS OF ADJUSTMENTS FOR SPAIN: A JUSTE RETOUR CALCULATED EACH YEAR, WHICH THE COMMISSION HAD SET ASIDE FOR IDEOLOGICAL REASONS: A DEGRESSIVE, FORFAITAIRE ARRANGEMENT: AND A CORRECTION KEY. THE COMMISSION HAD CHOSEN THE SECOND. THE COMMISSION WAS SOMEWHAT RETICENT ABOUT PROVIDING FORECASTS IN VIEW OF THE CONSIDERABLE UNCERTAINTIES. BUT HE DID NOT BELIEVE THAT THE MARGIN OF ERROR WAS GREATER THAN 250-300 MECU A YEAR. HE CONSIDERED THEREFORE THAT THE COUNCIL SHOULD ESTABLISH FINANCIAL NEUTRALITY AS ITS BROAD AIM, AGREE A SCALE OF REFUNDS AND REVIEW THE SITUATION AFTER THREE YEARS IN CASE EITHER THE 10 OR SPAIN WANTED TO ARGUE FOR REVISION BECAUSE FORECASTS HAD NOT PROVED ACCURATE.

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4. DUMAS (FRANCE) AGREED WITH THE AIM OF NEUTRALITY. THERE SHOULD NOT BE A JUSTE RETOUR. HOWEVER THE GREEK MODEL HAS RESULTED IN A LARGE NET BURDEN FOR THE NINE. THE MAGNITUDE OF THE POSSIBLE BURDEN DUE TO FORECASTING ERRORS WAS MUCH LARGER IN THE SPANISH CASE. HE WONDERED WHETHER THERE SHOULD NOT BE SOME MORE AUTOMATIC CORRECTING MECHANISM IF THE RESULT STRAYED TOO FAR FROM NEUTRALITY. DELORS THOUGHT THAT THERE COULD BE A REVIEW IF FOR THREE YEARS RUNNING THE RESULT WAS MORE THAN 100 MECU AWAY FROM NEUTRALITY IN EITHER DIRECTION. HE SUGGESTED THAT THIS BE DISCUSSED IN THE COUNCIL.

5. GENSCHER (GERMANY) SAID THAT THE COUNCIL MUST GET ON WITH ENLARGEMENT. EVERYONE MUST MAKE CONCESSIONS. THIS WAS ESPECIALLY NECESSARY ON FISHERIES. THE COMMUNITY HAD MADE A MAJOR ERROR OVER FISH IN THE NEGOTIATIONS WITH NORWAY AND MUST NOT DO THE SAME WITH SPAIN.

6. WHEN THE COUNCIL OPENED, I, SUPPORTED BY GENSCHER, ASKED THE COMMISSION TO TABLE FIGURES AS QUICKLY AS POSSIBLE. DELORS UNDERTOOK TO MAKE THEM AVAILABLE VERY SOON.

7. THE COMMISSION SUBSEQUENTLY CIRCULATED PERCENTAGE FIGURES COVERING VAT REFUNDS FOR SPAIN FOR 6 YEARS, AND FOR PORTUGAL FOR 1 YEAR. SEE M I F T.

FCO ADVANCE TO:-

FCO - PS/MR RIFKIND, RENWICK, SHEPHERD, EVANS, BLOOMFIELD.
CAB - WILLIAMSON, JAY.
TSY - FITCHEW, MORTIMER, SIMPSON.

BUTLER

FRAME EXTERNAL
ECD (E)

COPIES TO:
ADVANCE ADDRESSEES.

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GR1500

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FRAME EXTERNAL/FISHERIES

DESKBY 010830Z

FM UKREP BRUSSELS 281935Z FEB 85

TO IMMEDIATE FCO

TELEGRAM NUMBER 747 OF 28 FEBRUARY

INFO PRIORITY COPENHAGEN, THE HAGUE, ROME, DUBLIN, PARIS, BONN,

ATHENS, LISBON, MADRID

INFO SAVING LUXEMBOURG, BRUSSELS

FOREIGN AFFAIRS COUNCIL : 28 FEBRUARY 1985

ENLARGEMENT

SUMMARY

1. PRESIDENCY TABLED OUTLINE COMPROMISE POSITION ON FISH BASED ON DISCUSSION IN COREPER AND AIMING TO FIND A MIDDLE WAY BETWEEN THE COMMISSION APPROACH AND THAT OF THE FIVE. MIXED RESPONSE FROM MEMBER STATES, MOST STICKING TO THEIR ORIGINAL POSITIONS BUT INDICATING WILLINGNESS TO STUDY THE NEW PROPOSALS.

2. NO DISCUSSION OF AGRICULTURE, SOCIAL AFFAIRS OR PORTUGAL.

DETAIL

2. AT ANDREOTTI'S (PRESIDENCY) REQUEST CALAMIA (CHAIRMAN OF COREPER) GAVE AN ACCOUNT OF THE STATE OF DISCUSSION REACHED IN COREPER. HE DREW THE CONCLUSION THAT IT WOULD BE DIFFICULT FOR THE COMMUNITY POSITION TO MENTION RESTRUCTURING AND THAT THIS, AND CONSEQUENTLY REFERENCES TO BALANCE CLAUSE, MIGHT BETTER BE OMITTED. THE IDEA OF CONTROL BY LISTS SEEMED TO BE GENERALLY ACCEPTED, INCLUDING BY SPAIN, ALTHOUGH THE NUMBER OF VESSELS ON THE LISTS REMAINED AN ISSUE. WITHIN THIS FRAMEWORK IT WAS POSSIBLE TO IMAGINE A SYSTEM LASTING UNTIL 2002. THREE MAJOR ISSUES WOULD REMAIN TO BE DECIDED:

- (A) QUOTAS - THE COMMUNITY HAD A CHOICE OF STICKING RIGIDLY TO EXISTING PERCENTAGES OR OFFERING AN IMPROVEMENT.
- (B) THE RELATED QUESTION OF NUMBERS OF VESSELS.
- (C) GEOGRAPHIC LIMITATION.

ON THIS LAST POINT CALAMIA NOTED THAT SPAIN WAS INSISTING ON PROGRESSIVE ACCESS TO THE IRISH BOX, THOUGH NOT NECESSARILY TO THE NORTH SEA. HE COULD IMAGINE AN ARRANGEMENT UNDER WHICH A NUMBER OF SPANISH VESSELS COULD BE ALLOWED INTO EACH AFTER A TRANSITIONAL PERIOD OF BETWEEN 7 TO 10 YEARS. THE COUNCIL MIGHT REVERT TO THIS QUESTION AFTER DISCUSSING THE GENERAL FRAMEWORK. ANDREOTTI NOTED THAT IF THE COMMUNITY LAID STRESS ON INTEGRATING SPAIN INTO THE COMMON FISHERIES POLICIES UP TO 2002, A DEBATE ON THE TRANSITION PERIOD WOULD BECOME REDUNDANT. THE PRESIDENCY THEN CIRCULATED A NOTE (TO MAFF BY HAND OF HADDON) OUTLINING ITS IDEAS AND INVITED DISCUSSION.

CONFIDENTIAL

13.

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3. TYGESEN (DENMARK) DID NOT REFER TO THE PRESIDENCY'S NOTE BUT INSTEAD ATTACKED THE PROPOSALS OF THE COMMISSION, OBJECTING TO THE BALANCE CLAUSE WHICH WAS A FUNDAMENTAL CHANGE IN THE CFP THAT HAD BEEN SOUGHT BY NO-ONE, THE PHASING OUT OF GEOGRAPHIC LIMITS AFTER 7 YEARS AND THE FACT THAT PORTUGAL'S REJECTION OF IT HAD NOT BEEN TAKEN INTO ACCOUNT.

4. NANTEUIL (FRANCE) LIKEWISE DID NOT ADDRESS THE PRESIDENCY'S PROPOSAL BUT REPEATED HIS CRITICISM OF THE PRESIDENCY FOR CONDUCTING TALKS WITH SPAIN ON A BASIS NOT AGREED BY THE COMMUNITY. HE NOTED THAT THE PRESIDENCY HAD NOW UNVEILED CERTAIN IDEAS WHICH IT HAD ONLY HINTED AT IN COREPER. IT WAS DIFFICULT TO GIVE A SERIOUS REPLY TO A PROPOSITION PUT SUDDENLY ON THE TABLE IN THIS FASHION. THE SECOND PART OF THE PROPOSAL IN PARTICULAR SEEMED UNCLEAR. IT WAS DANGEROUS FOR THE PRESIDENCY TO MOVE INTO A DISCUSSION OF QUOTAS WITH SPAIN TOO EARLY.

5. NOTERDAEME (BELGIUM) SAID THAT THE PRESIDENCY'S CONCEPT OF INTEGRATING SPAIN UP TO 2002 WAS A GOOD ONE. IT AVOIDED THE PROBLEM OF THE EXIT REGIME. BUT, IF THE COMMUNITY WAS TO FIX THE REGIME APPLICABLE TO SPAIN FOR SUCH A LONG PERIOD, MAXIMUM CLARITY WOULD BE NEEDED. HE AGREED WITH NANTEUIL THAT THE SECOND HALF OF THE PRESIDENCY PROPOSAL NEEDED CLARIFYING. AS FAR AS THE FIRST PHASE WAS CONCERNED HE COULD ACCEPT THE IDEA THAT SPAIN SHOULD BE KEPT OUT OF THE IRISH BOX. HE COULD ALSO ACCEPT THE LIST SYSTEM, THOUGH HE DID NOT TAKE A POSITION ON THE NUMBER OF VESSELS WHICH SHOULD BE ON THE LIST. IT SHOULD, HOWEVER, INCORPORATE AN EVOLUTION CLAUSE TO ALLOW FOR CHANGES IF TACS INCREASED. ON QUOTAS HE THOUGHT IT WAS NECESSARY TO OFFER SPAIN A REASONABLE DEAL. THE DIFFICULTY WAS THAT THE COMMUNITY TOOK 1985 AS ITS STARTING POINT. THE SPANISH QUOTA HAD BEEN PROGRESSIVELY REDUCED OVER PRECEEDING YEARS. IT MIGHT BE MORE REASONABLE FOR THE COMMUNITY TO TAKE ACCOUNT OF EARLIER MORE GENEROUS ARRANGEMENTS IN OFFERING A ONCE AND FOR ALL CHANGE IN SPAIN'S PERCENTAGE QUOTA. THIS WOULD LAST TILL 2002. ON THE SECOND PHASE, NOTERDAEME SAID THAT IT MIGHT NOT BE NECESSARY TO TREAT THE NORTH SEA AND THE IRISH BOX ON EXACTLY THE SAME FOOTING SINCE THERE WAS NO HISTORY OF SPANISH FISHING IN THE NORTH SEA. BUT ALL COMMUNITY COUNTRIES FISHED IN THE IRISH BOX AND EVEN THIRD COUNTRIES SUCH AS NORWAY HAD RIGHTS THERE. BUT GIVING SPAIN ACCESS TO THE BOX DID NOT IMPLY ANY NEED TO INCREASE THE NUMBER OF VESSELS ON THE LIST SINCE SPANISH QUOTAS WOULD REMAIN UNCHANGED. THE OPENING OF THE IRISH BOX, WHICH MIGHT BE GRADUAL, SHOULD NOT DEPEND ON A COUNCIL DECISION BUT SHOULD BE, TO SOME EXTENT AUTOMATIC.

6. O'KEEFE (IRELAND) SAID THAT THE COUNCIL SHOULD NOT FORGET THAT THE EXISTING COMMUNITY OFFER TO SPAIN WAS PERFECTLY FAIR. IT WAS ONLY SPANISH AMBITIONS THAT WERE EXAGGERATED. SPAIN WAS BRINGING LITTLE TO THE COMMUNITY IN THE WAY OF FISHING RESOURCES.

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THE 1980 AGREEMENT ALREADY GRANTED IT A UNIQUE STATUS IN THAT OTHER THIRD COUNTRIES ALL PAID ONE WAY OR ANOTHER FOR THEIR ACCESS TO COMMUNITY WATERS. TRYING TO INTEGRATE SPAIN FURTHER WOULD UPSET THE BALANCE OF THE CFP. THE COMMUNITY SHOULD THEREFORE STICK TO THE DECEMBER DECISION AS MODIFIED BY THE FIVE. THIS ALREADY PROVIDED A NUMBER OF OPENINGS ON THE LIST SYSTEM, QUOTAS, AND RESTRUCTURING. THERE WAS LITTLE SCOPE FOR IMPROVING ON THIS EXCEPT PERHAPS IN PRESENTATIONAL TERMS.

7. I AGREED WITH O'KEEFE'S GENERAL ARGUMENT. IT SHOULD BE POSSIBLE TO MAKE PROGRESS ON THE BASIS OF THE FIVE'S IDEAS. THE PRESIDENCY'S PAPER WAS A CONSTRUCTIVE ATTEMPT TO BRING AGREEMENT CLOSER AND IT WAS HELPFUL THAT IT OMITTED MENTION OF THE BALANCE AND RESTRUCTURING. IT WAS IMPORTANT THAT THE SUBJECT SHOULD BE DEALT WITH AS A WHOLE. IF WE FIRST DISCUSSED NUMBERS WITH THE SPANIARDS THEY WOULD POCKET CONCESSIONS AND THEN NEGOTIATE FOR MORE. AS O'KEEFE HAD POINTED OUT, THE FIVE HAD INDICATED FLEXIBILITY ON THE SIZE OF QUOTAS. BUT ANY CONCESSIONS WOULD HAVE TO BE IN THE CONTEXT OF A FINAL SETTLEMENT OF THE WHOLE SUBJECT. I SUGGESTED THAT THE PRESIDENCY AND COMMISSION SHOULD DISCUSS NUMBERS PRIVATELY WITH INTERESTED DELEGATIONS.

8. I WENT ON TO NOTE THAT THERE WERE CONSIDERABLE DIFFICULTIES IN THE SECOND STAGE AS SUGGESTED BY THE PRESIDENCY. IF THE ARRANGEMENTS

WERE TO LAST UNTIL 2002 IT WAS PERHAPS UNWISE TO TALK ABOUT TRANSITION AT ALL. ABOLITION OF GEOGRAPHICAL LIMITATIONS WAS NEITHER NECESSARY NOR DESIRABLE. LIKewise IT WAS UNDESIRABLE TO TALK OF SUPPLEMENTARY PERIODIC LISTS. THE INITIAL PERIODIC LIST WOULD CONTAIN ENOUGH VESSELS TO FISH THE AVAILABLE QUOTAS. MORE WOULD NOT BE NEEDED. MOREOVER AS FAR AS THE NORTH SEA WAS CONCERNED ALL ECONOMICALLY EXPLOITABLE SPECIES WERE COVERED BY TAC AND QUOTAS. A SUPPLEMENTARY PERIODIC LIST FOR THE NORTH SEA WOULD THEREFORE ONLY LEAD TO ILLEGAL FISHING OF QUOTA SPECIES. IT WAS ALSO UNDESIRABLE TO SUGGEST AS THE PAPER DID THAT THERE SHOULD BE ANNUAL RENEGOTIATION.

9. RUHFUS (FRG) AGREED WITH IRELAND AND THE UK. THE COMMUNITY'S CURRENT AGREEMENT WITH SPAIN WAS ALREADY A PART OF THE OVERALL EQUILIBRIUM OF THE CFP. HIS GOVERNMENT'S POSITION WAS BASED ON THE DECEMBER DECLARATION WITH THE MODIFICATIONS SUGGESTED BY THE FIVE. HOWEVER, THE FIVE WERE WILLING TO REVISE THEIR PROPOSALS IF NECESSARY AND THE FRG WOULD EXAMINE THE PRESIDENCY PAPER CAREFULLY.

10. VAN DEN BROEK COULD ACCEPT THE BROAD LINES OF THE PRESIDENCY APPROACH BUT THOUGHT IT WAS SHORT-SIGHTED TO DROP THE PROPOSALS FOR RESTRUCTURING THE SPANISH FLEET. IF THIS WAS INCLUDED THEN SOME KIND OF EQUILIBRIUM CLAUSE WOULD ALSO BE NECESSARY. HE SUGGESTED A FORMULA STATING THAT THE SPANISH FLEET SHOULD BE REDUCED BY A CERTAIN PERCENTAGE BUT THAT THE PERCENTAGE WOULD FALL IF THE COMMUNITY FLEET GREW IN THE MEANWHILE.

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11. GOEBBELS (LUXEMBOURG) MADE A LONG STATEMENT IN FAVOUR OF BOTH THE COMMISSION APPROACH AND THAT OF THE PRESIDENCY.

12. ANDRIESEN (COMMISSION) SAID THAT THE REAL QUESTION FOR THE COMMUNITY WAS WHETHER IT WAS PREPARED TO GO BEYOND THE POSITION OF 18 DECEMBER WHICH WAS UNACCEPTABLE TO SPAIN AND WHICH WOULD ONLY RESULT IN DEADLOCK. HE AGREED WITH THE NETHERLANDS THAT THE PRESIDENCY APPROACH WAS FAULTY IN THAT IT OMITTED MENTION OF RESTRUCTURING AND ITS LOGICAL CONCOMITANT, THE BALANCE CLAUSE. HE THOUGHT THAT THE PRESIDENCY APPROACH WOULD BE LESS ACCEPTABLE TO SPAIN THAN THAT OF THE COMMISSION AND NOTED THAT MANY OF THE FIVE WISHED TO MAKE IT EVEN LESS ATTRACTIVE. HE PREFERRED THE COMMISSION PROPOSAL BUT WOULD STUDY THE PRESIDENCY'S APPROACH CAREFULLY.

13. ANDREOTTI FELT THE DISCUSSION HAD BEEN USEFUL, BUT ADDED THAT A BIG EFFORT WOULD BE NEEDED ON 17-20 MARCH AND THAT DISCUSSION AT THE EUROPEAN COUNCIL SHOULD BE AVOIDED. EVERYONE HAD KNOWN ABOUT THE SPANISH FISHING FLEET WHEN NEGOTIATIONS WITH SPAIN HAD OPENED AND SHOULD BE READY TO MAKE APPROPRIATE COMPROMISES.

FCO ADVANCE TO:

FCO - RENWICK, SHEPHERD, MISS EVANS
CAB - WILLIAMSON, LAMBERT
MAFF - MASON, GRIFFITHS, HADDON, MELVILLE
DAFS - GORDON

FCO PASS SAVING - LUXEMBOURG

BUTLER

FRAME External / Fisheries
ECO(6)

(ADVANCED AS REQUESTED)

REPEATED AS REQUESTED

⁴
CONFIDENTIAL

Chaser -

is any further action needed on this?

CST
17/2.

No thank you

CDD 17/2

CONFIDENTIAL

FILE
SHQAEA



10 DOWNING STREET

From the Private Secretary

17 February, 1985

European Community: Enlargement

I enclose a copy of a letter to the Prime Minister from Signor Craxi delivered on 16 February and relevant to the discussion of enlargement at the Foreign Affairs Council this week. You may wish to telegraph the text to posts principally concerned.

I am copying this to Rachel Lomax (H.M. Treasury), Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food) and Callum McCarthy (Department of Trade and Industry).

C. D. POWELL

Colin Budd, Esq.,
Foreign and Commonwealth Office

CONFIDENTIAL

OST

*Italian Embassy,
14, Three Kings Yard,
London, W.1.*

16th February 1985

A/701

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No: T 31/85 cc MASTER
OPS

Dear Charles,

Please find here enclosed
the rough translation of the message from Signor
Craxi I sent this morning.

*Yours sincerely,
Umberto*

Umberto Vattani

encl: 1

Mr Charles Powell
Private Secretary to the Prime Minister
10 Downing Street
London SW1

FROM : Signor Bettino Craxi
TO : The Rt. Hon. Margaret Thatcher
Date : 16 February, 1985

ROUGH TRANSLATION

Back from my working visits to Lisbon and Madrid, where I had in-depth talks with Prime Minister Soares and the President of the Spanish Government Senor Gonzales, and on the eve of the meeting of the General Affairs Council of the EEC on Monday next, I believe it necessary to convey to you my preoccupations for the uncertainties and difficulties which still characterize the negotiations for the enlargement.

We have often declared ourselves committed to allow Spain and Portugal to belong to the Community as from 1 January 1986. We declared it solemnly at the European Council in Fontainebleu, indicating on that occasion the date of September 30, 1984, as the time limit within which the negotiating phase should have been completed.

We are now drawing near to the European Council at the end of March, but, regretfully, we have to say that the negotiations have been hindered by some knots relating to fishing and agriculture.

Without discounting the importance of the issues to be tackled, I believe nevertheless that at this stage we cannot lose sight of the aim to extend, within the time agreed, the frontiers of the Community to two countries who share our aspirations of a united Europe and our ideals of democracy and freedom.

The significance and value of this objective, the wide political and economic solidarity it would allow us to achieve, exceed the range of the problems which await solution. In the talks held in the two capitals of the Iberian Peninsula, but especially in the course of those held in Madrid, I perceived a real and grave risk.

In pursuing our common efforts, we are comforted by the awareness of having already covered, successfully, most of the road. We know, moreover, that the dimension of the residual difficulties to be overcome is not such as to be able to compromise the coherence of our resolutions. Should our attempts fail now, we would risk, among other things, to jeopardize the prospects for development of the European Community.

The General Affairs Council of Monday next and the subsequent ministerial sessions with Spain and Portugal represent a valuable opportunity to give a resolute impetus to the negotiations in order to conclude them before the European Council in March. I have discussed the unresolved problems with the Foreign Minister, Signor Andreotti, who has the task of presiding over the work of the Community in this delicate situation, and am confident that, with the support of all the partners, the risk of a failure in the negotiations for adhesion can be averted.

In thanking you for the consideration you will give to this message, I send you my warmest regards.

C. M. FABRIANO
28/11/77

*Italian Embassy,
14, Three Kings Yard,
London, W.1.*

Mufaxed to chequers - (16/2)

16th February 1985

A/700

Dear Charles,

Please find here enclosed a message from President of the Council of Ministers On. Bettino Craxi to the Prime Minister, which refers to the coming general EEC Ministerial Council of Monday the 18th of February.

A rough translation in English will follow.

*Yours sincerely,
Umberto*

Umberto Vattani

encl:

Mr. Charles Powell
Private Secretary to the Prime Minister
10 Downing Street
London SW1

*Italian Embassy,
14, Three Kings Yard,
London, W.1.*

Messaggio del Presidente del Consiglio On. Bettino Craxi
indirizzato alla Signora Margaret Thatcher, Primo Ministro

Al rientro dalle mie visite di lavoro compiute a Lisbona e Madrid, ove ho avuto approfonditi colloqui con il Primo Ministro Soares e con il Presidente del Governo spagnolo Gonzales, e alla vigilia della riunione del Consiglio Affari Generali della Comunità di lunedì prossimo, credo necessario farLe stato delle mie preoccupazioni per le incertezze e le difficoltà che tuttora caratterizzano il negoziato di allargamento.

Ci siamo spesso dichiarati impegnati a consentire a Spagna e Portogallo di fare parte della Comunità a partire dal 1 gennaio 1986. Con particolare solennità lo abbiamo fatto al Consiglio Europeo di Fontainebleu, indicando nell'occasione la data del 30 settembre 1984 quale limite entro cui completare la fase negoziale.

Ci avviciniamo ora al Consiglio Europeo di fine marzo, ma purtroppo dobbiamo constatare che le trattative si sono incagliate in alcuni nodi dei capitoli della pesca e dell'agricoltura. Senza voler disconoscere l'importanza dei problemi da affrontare, penso egualmente che non possiamo, giunti a questo punto, perdere di vista l'obiettivo di estendere, entro le scadenze fissate, le frontiere della Comunità a due Paesi che condividono le nostre aspirazioni ad un'Europa unita e i nostri ideali di democrazia e di libertà.

Il significato ed il valore di questo obiettivo, e l'ampia solidarietà politica ed economica che esso ci consente di realizzare,

./..

*Ambasciata d'Italia,
14, Three Kings Yard,
London, W.1.*

- 2 -

trascendono la portata dei problemi che attendono di trovare soluzione. Nei colloqui che ho avuto nelle due capitali della Penisola Iberica, ma soprattutto in quelli che ho avuto a Madrid, ho percepito un rischio reale e grave.

Nel perseguimento dei nostri comuni sforzi, ci conforta del resto la consapevolezza di avere già percorso con successo il più rilevante tratto di strada. Sappiamo inoltre che la dimensione delle residue difficoltà da superare non è tale da poter compromettere la coerenza dei nostri propositi. Se i nostri tentativi dovessero arenarsi proprio ora, rischieremo tra l'altro di pregiudicare le prospettive di sviluppo della Comunità.

Il Consiglio Affari Generali di lunedì prossimo e le successive sessioni ministeriali con Spagna e Portogallo rappresentano una opportunità importante per imprimere una spinta risolutiva al negoziato in modo da concluderlo prima del Consiglio Europeo di marzo. Ho discusso i problemi irrisolti con il Ministro degli Esteri Andreotti, cui spetterà di presiedere i lavori della Comunità in questo delicato frangente, e sono fiducioso che con il comune concorso potrà essere evitato il rischio di un insuccesso delle trattative di adesione.

Nel ringraziarLa per l'attenzione che vorrà dare a questo mio messaggio, Le invio i miei migliori saluti.

Roma, 16 febbraio 1985

CONFIDENTIAL

ck



Foreign and Commonwealth Office

London SW1A 2AH

14 February 1985

Q 14/2

Dear Charles,

Budgetary Consequences of Enlargement

Thank you for your letter of 13 February.

We were alerted some time ago by the Cockfield and Clinton Davis Private Offices to Commissioner Natali's suggestion that rebates to Spain and Portugal should not qualify for our correction under the Fontainebleau mechanism.

Sir Michael Butler and his staff took immediate lobbying action with the above Private Offices, with PS/Delors, with the Director-General for the Budget and with the Secretary-General of the Commission. They were told that any suggestion of this kind would be contrary to what was agreed at Fontainebleau and totally unacceptable. There would be no increase in the own resources if there was any interference with the Fontainebleau agreement. We drew the attention of the Commission to the fact that the unacceptable language on this issue proposed by the French Presidency at Fontainebleau had been deleted on the Prime Minister's insistence.

The Chancellor of the Exchequer also raised the matter with M Delors during this week's ECOFIN. The Chancellor made clear that there would be no increase in own resources if any such proposal were adopted. Delors agreed not to put forward any proposal without further consultation with the UK.

Lord Cockfield has told us that he believes that Delors recognises it would be wrong to proceed along the lines of the advice offered to him by Natali. Delors agreed that any procedure must not go against what was agreed at Fontainebleau. The Prime Minister's comments have been passed to Lord Cockfield.

The Commission have not yet made a formal proposal and Natali will no doubt still try to make trouble. The Commission will continue to be left in no doubt that if they

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were to pursue Natali's ideas, we should not agree to any increase in the own resources. This has been covered in the briefing for the Prime Minister's meeting with Signor Craxi.

I am copying this letter to Rachel Lomax (HM Treasury) and Richard Hatfield (Cabinet Office).

Yours ever,

Colin Budd

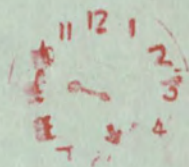
(C R Budd)
Private Secretary

C D Powell Esq
No 10 Downing Street

Ewo-Pol: Enlargement A77



4 FEB 1985





10 DOWNING STREET

From the Private Secretary

13 February 1985

Budgetary Consequences of Enlargement

The Prime Minister has seen UKREP Brussels telegram number 481 on this subject. She has commented that if the Commission attempts to go back on what was agreed at Fontainebleau, there will be no increase in own resources.

I am copying this letter to Rachel Lomax (HM Treasury) and to Richard Hatfield (Cabinet Office).

Charles Powell

Colin Budd, Esq.,
Foreign and Commonwealth Office.

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FRAME EXTERNAL/ECONOMIC

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FM UKREP, BRUSSELS 111630 Z FEB 85

TO IMMEDIATE FCO

TELEGRAM NUMBER 481 OF 11 FEBRUARY

*1/ The Commission
is going back to
Fontainebleau -
then no answer
in 20
relates
not*

UKREP TELNO.473 : BUDGETARY CONSEQUENCES OF ENLARGEMENT

1. LORD COCKFIELD RANG ME ABOUT THIS LAST NIGHT. HE SAID THAT NO DECISIONS HAD BEEN TAKEN IN HIS PRESENCE. HIS CABINET HAD RECEIVED SPECIFIC ASSURANCES FROM CHRISTOPHERSEN'S CABINET THAT BY ABATEMENT FOR THE NEW MEMBERS WOULD BE ON THE GREEK MODEL AND WOULD QUALIFY FOR FONTAINEBLEAU RELIEF. NEVERTHELESS HE SUGGESTED THAT THE MATTER WOULD NOW HAVE TO BE ARGUED OUT IN THE COUNCIL. I ENCOURAGED HIM TO CONTEST WHETHER THE ALLEGED COMMISSION DECISION HAD BEEN PROPERLY TAKEN AND TO INSIST ON TAKING THE MATTER BACK TO THE COMMISSION, POINTING OUT THE SERIOUS CONSEQUENCES FOR BOTH THE ENLARGEMENT AND THE OWN RESOURCES NEGOTIATIONS IF THE COMMISSION MADE A PROPOSAL CONTRARY TO WHAT HAD BEEN AGREED AT FONTAINEBLEAU. I ALSO SPOKE TO CAHN (COCKFIELD CABINET) TO MAKE IT CLEAR THAT IT WAS OUT OF THE QUESTION FROM THE UK POINT OF VIEW THAT ANY REBATES TO SPAIN AND PORTUGAL SHOULD BE PAID OUTSIDE THE FONTAINEBLEAU MECHANISM. HE LATER TOLD ME THAT THERE WAS NOTHING IN THE DRAFT MINUTES OF THE COMMISSION MEETING REFLECTING A DECISION ON THIS POINT. THE CLINTON DAVIS CABINET HAVE CONFIRMED LORD COCKFIELD'S ACCOUNT. WE HAVE BRIEFED THEM TO SPEAK APPROPRIATELY AT THE CHEFS' MEETING THIS AFTERNOON.

2. I SPOKE SUBSEQUENTLY TO STRASSER (DG XIX). I REHEARSED WITH HIM WHAT HAD TAKEN PLACE AT FONTAINEBLEAU OVER ENLARGEMENT AND OWN RESOURCES. I READ HIM THE TEXT WHICH THE PRESIDENCY HAD TABLED THERE AND WHICH THE PRIME MINISTER HAD PERSUADED THE EUROPEAN COUNCIL TO REJECT:

"IN THE CASE OF NEW MEMBER STATES BENEFITTING DURING THE PERIOD OF TRANSITION FROM A REDUCTION OF OWN RESOURCES, THE RESULTING COST FOR OTHER MEMBER STATES WILL BE MET OUT OF VAT IN THE NORMAL WAY". IF THE COMMISSION NOW TRIED TO REVERSE THE FONTAINEBLEAU DECISION, THAT WOULD BE UNACCEPTABLE TO THE BRITISH GOVERNMENT. THE MATTER WOULD CERTAINLY GO TO THE EUROPEAN COUNCIL IN BRUSSELS. THERE WOULD BE NO QUESTION OF THE PRIME MINISTER ACCEPTING A REVERSAL OF FONTAINEBLEAU ON THIS POINT. SHE WAS ALWAYS DETERMINED TO ENSURE THAT AGREEMENTS REACHED IN THE COUNCIL WERE RESPECTED. STRASSER COMMENTED THAT PEOPLE WERE TRYING TO MAKE COMPLICATED ISSUES EVEN MORE COMPLICATED. HE TOOK NOTE AND SUGGESTED THAT I SHOULD SPEAK TO NOEL.

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3. I SPOKE ON SIMILAR LINES TO NOEL, ADDING THAT THE COMMISSION WAS RISKING RE-OPENING OLD WOUNDS AND CONTRIBUTING TO DELAY IN THE ENLARGEMENT NEGOTIATIONS AS WELL AS IN THE ADOPTION OF THE OWN RESOURCES DECISION. HE ACKNOWLEDGED THAT THE MATTER HAD BEEN DISCUSSED AT FONTAINEBLEAU AND THAT THE TEXT STATING THAT REPATES TO NEW MEMBER STATES WOULD NOT BE COVERED IN THE FONTAINEBLEAU MECHANISM HAD BEEN KNOCKED OUT OF THE COUNCIL CONCLUSIONS AT THE PRIME MINISTER'S REQUEST. BUT HE ARGUED THAT THIS HAD BEEN DONE ALMOST WITHOUT DISCUSSION RATHER LATE IN THE PROCEEDINGS. HE CONCLUDED THAT THE QUESTION WAS OPEN, AND COMMENTED THAT LOOKED AT LOGICALLY, THERE WAS NO REASON WHY THE UK SHOULD NOT BEAR ITS FULL SHARE OF THE COST OF ANY REDUCTION IN SPAIN'S AND PORTUGAL'S BUDGETARY CONTRIBUTIONS. I MADE IT VERY CLEAR THAT SUCH A LINE OF ARGUMENT WAS UNACCEPTABLE. IF THE COMMISSION MAINTAINED IT, IT WOULD LEAD TO VERY GREAT DIFFICULTIES AT THE EUROPEAN COUNCIL.

4. THE CHANCELLOR OF THE EXCHEQUER LATER RAISED THE QUESTION WITH DELORS (UNWIN WILL RECORD). DELORS UNDERTOOK NOT TO PUT FORWARD ANY PROPOSAL WITHOUT FURTHER CONSULTATION WITH THE UK.

FCD ADVANCE TO:

FCD - RENWICK, SHEPHERD, MISS EVANS, WALL
CAB - WILLIAMSON, MISS LAMBERT
TSY - FITCHEW, MORTIMER, UNWIN

BUTLER

FRAME EXTERNAL / ECONOMIC
ECD (E)
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GRS 380
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F TEL AVIV 071415Z FEB 85
TO ROUTINE FCO
TELEGRAM NUMBER 034 OF 7 FEBRUARY
INFO BRUSSELS AND ROME

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A F E N	

EC/ISRAEL

SUMMARY

1. ISRAEL STRESSES URGENCY AND IMPORTANCE OF OPENING NEGOTIATIONS BETWEEN THE COMMISSION AND ISRAEL TO REVIEW THE EXISTING ISRAELI/EC AGREEMENT IN THE LIGHT OF ENLARGEMENT.

DETAIL

2. MORDECHAI DRORI, ASSISTANT DIRECTOR GENERAL IN CHARGE OF ECONOMIC AND INTERNATIONAL COOPERATION DEPARTMENT, MFA ASKED ME TO CALL ON 7 FEBRUARY. HE SAID THE COMMISSION STILL HAD NO AGREED GUIDELINES FROM MINISTERS LET ALONE A MANDATE TO NEGOTIATE. THEY REMAINED IN THE STAGE OF EXPLORATORY TALKS. ISRAEL WANTED A COMMITMENT FROM THE COMMUNITY TO START NEGOTIATIONS BEFORE THE ACCESSION OF SPAIN. HE CLAIMED THAT ISRAEL HAD EARLIER BEEN PROMISED CONTINUED ACCESS FOR ITS AGRICULTURAL PRODUCTS: EUROPE WAS ISRAEL'S MOST IMPORTANT AND IRREPLACEABLE OUTLET.

3. I SAID I WAS NOT COMPETENT TO DISCUSS THE SUBSTANCE AND WAS NOT BRIEFED ON THE PROCEDURES AND TIME FRAME IN WHICH THE EC WOULD TACKLE THE PROBLEM. IT WAS NOT SECRET THAT SOME MEMBERS WERE INFLUENCED BY DOMESTIC PRODUCERS: OTHERS LIKE BRITAIN HAD THE INTERESTS OF CONSUMERS MORE IN MIND. WE WERE SYMPATHETIC TO THE REQUIREMENTS OF A COUNTRY LIKE ISRAEL, BUT IT WAS UNREALISTIC TO SUPPOSE THAT NEGOTIATIONS WITH THE NON-MEMBER MEDITERRANEAN COUNTRIES INCLUDING ISRAEL COULD BE UNDERTAKEN BEFORE ENLARGEMENT, EVEN IF THE TEN WISHED TO DO SO.

4. DRORI SAID SOME HIGH LEVEL POLITICAL IMPETUS WAS NEEDED TO GET GUIDELINES AND THE NEGOTIATIONS STARTED, NO DOUBT AT THE LEVEL OF THE COUNCIL OF MINISTERS OR EVEN HEADS OF GOVERNMENT. MR PERES WOULD RAISE THIS SUBJECT DURING HIS FORTHCOMING VISIT TO ROME. I SAID HMG WERE WELL AWARE OF THE POLITICAL ASPECTS AND THE IMPORTANCE OF THE ISSUE TO ISRAEL FOR SOCIO-POLITICAL AS WELL AS ECONOMIC REASONS: BUT ENLARGEMENT WOULD OF NECESSITY BRING CHANGES. NO DOUBT ISRAEL WAS ALREADY CONSIDERING HOW TO ADAPT, RATHER THAN BASING ITS NEGOTIATING POSITION ON MAINTAINING THE STATUS QUO.

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5. DRORI SAID THAT, WITHOUT GOING INTO TECHNICAL DETAIL, THE SPANISH GOVERNMENT MIGHT WELL GO FOR AN INTERVENTION PRICE WHICH WOULD RULE ISRAELI PRODUCTS OUT OF THE MARKET. I SIMPLY SAID THESE WERE ALL MATTERS WHICH COULD BE RAISED IN THE NEGOTIATIONS. ERRI GAVE ME A NON-PAPER (TEXT BY BAG TO DEPARTMENT AND UKREP) WHICH SETS OUT THEIR GENERAL VIEWS, AND MENTIONED HE WAS CALLING IN OTHER EC AMBASSADORS (HE HAD ALREADY SEEN MY ITALIAN COLLEAGUE).

6. IT WOULD BE HELPFUL TO HAVE AN UPDATE ON THE PRESENT STATE OF PLAY.

SQUIRE

LIMITED
NENAD
MED
ECD (E)
MR DEREK THOMAS
MR FERGUSSON
MR RENWICK
MR EGERTON

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CC



10 DOWNING STREET

From the Private Secretary

6 February 1985

Enlargement

Thank you for your letter of 4 February about the implications of enlargement of the Community. The Prime Minister has read this with interest and looks forward to the fuller paper promised.

I am sending a copy of this letter to Richard Hatfield (Cabinet Office).

(C.D. Powell)

C.R. Budd, Esq.,
Foreign and Commonwealth Office.

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Foreign and Commonwealth Office

London SW1A 2AH

4 February 1985

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Dear Charles,

Enlargement

As you know, the Prime Minister told Sir Antony Acland recently that she would like a further note on the implications of enlargement of the Community particularly as regards the political balance within it, and drawing conclusions for our future tactics. You thought that there were three aspects of this to which the Prime Minister attached particular importance:

- This is the Prime Minister's hors d'oeuvre to a more substantial study. CDT/SL
- (i) on a political level, the implications of the creation of a socialist crescent in the Community, running from France through Spain (and Portugal) to Italy and Greece;
 - (ii) the effect of enlargement on the geographical balance within the Community, and consequently of the interests of the Community seen as a whole. The Prime Minister had in mind, among other things, the geographical orientation of an enlarged Community towards the Mediterranean, and a greater interest in Latin America;
 - (iii) the implications of these changes for British tactics in the Community. For example would the Community become unmanageable in practice after enlargement, and if so would it strengthen the case, despite the disadvantages and difficulties, of trying to form an informal Franco/German/British directorate? How might procedures have to be adapted?

Ministers discussed our objectives in relations to the enlargement negotiations last September (your letter to me of 14 September). We have achieved our objectives in relation to Spanish tariff dismantlement (including the special arrangements for cars), qualified majority voting and steel. We have secured a Community position that protects our essential interests on fisheries. We have also been able to use the prospect of accession to secure Spanish agreement to lift the frontier restrictions with Gibraltar. The position is reasonably satisfactory so far as our short term objectives are concerned.

/The



The "Socialist Crescent"

The accession to the Community of two further countries at present with socialist governments could have some unwelcome implications. They may add their voices to those seeking stronger Community-wide social legislation and a more interventionist tone to Community pronouncements on economic policy. The Foreign Secretary agrees with the Prime Minister about the need to stand guard against this. But he sees some reasons for doubting whether the "socialist crescent" will necessarily be a very homogeneous or potent force within the Community. France may well not have a socialist government after 1986. Even its present one has moved steadily away from the more strongly socialist positions on economic policy which it adopted earlier. And from the outset its position on security issues was if anything more robust than that of its predecessor. The Spanish and Portuguese governments are moderate, Atlanticist, and pragmatic (Gonzalez, for example, has pursued quite firm policies on money and the restructuring of industry). Italy has a socialist Prime Minister, but he leads a centre-right coalition government. None of these governments feels any very close political kinship with the non-aligned and anti-capitalist posturings of Papandreou. The only attempt so far to get the socialist Prime Ministers of all these countries round the same table (at Vouliagmeni in Greece during the 1983 Greek Presidency) ended in disagreement. And, as the Prime Minister noted at Dublin, the Commission's economic policy documents have come largely to reflect our own thinking.

The other points raise some fundamental questions about the character of the enlarged Community. Sir Geoffrey Howe thinks that it would be useful for these, including the implications for the Community's external policy, to be considered in a fuller paper. This is now being prepared. When it is ready, Sir Geoffrey would like to discuss it with the Prime Minister. The following are some preliminary considerations.

The Geographical Balance

Enlargement will add 35% to the Community's land mass and 17% to its population, but less than 8% to its GDP. I attach a table of GDP per capita for the enlarged Community, which shows a fairly clear North-South split, with Ireland the only northern country to feature in the bottom five places. This will lead to strong pressures from the poorer Member States for additional expenditure generally to promote "convergence". Spain and Portugal will expect to derive substantial benefits from the structural funds. Although as a result of the transitional arrangements and the structure of the Portuguese economy neither is likely to become a major beneficiary in the short term, they will certainly expect to be so in due

/course



course. There is no valid reason why Italy should continue to enjoy substantial net benefits (1.3 billion ecus in 1983) or for the Benelux and Denmark also to continue as net beneficiaries. When the 1.4% ceiling is reached the Germans will be seeking to get their budgetary burden corrected, and this will impose additional constraints.

Spain and Portugal will add their weight to the campaign for increased support for Mediterranean products, and for small producers generally. Support for Mediterranean agriculture has risen rapidly and now accounts for 25% of FEOGA expenditure. This is provoking strong reactions from the Northern Member States, including France. For the result has been that France is no longer a net beneficiary from FEOGA.

As a result of enlargement and Fontainebleau, the French calculate that within two years they will overtake us as net contributors to the Community budget generally. Since this balance is unlikely to change, we should have the French on our side in future arguments with the South about expenditure. The earlier French policy of expanding the Community southwards to increase French influence has backfired. Our ability, however, to contain expenditure on Mediterranean agriculture will depend on the success of our efforts to deal also with Northern products. For Community expenditure on all Mediterranean products is still less than expenditure on milk alone (which continues to account for 20% of the total Community budget).

Unless prices are held down and guarantee thresholds effectively applied, it is questionable whether the CAP in its present form would be sustainable for long in the enlarged Community. Any further accumulation of surpluses plus a decline of the dollar would pose insurmountable financing problems. There will be increased pressures for differentiated support as between large and small producers. This is one of the points we shall be addressing in the longer paper.

As the Prime Minister's recent talks in Bonn showed, there are some fundamental contradictions in German policy - with protestations of concern about budgetary control - off-set by strong pressures for price increases to please German farmers in areas like milk and cereals, where the Community already has enormous surpluses of which it cannot dispose. Nevertheless the emergence of Britain, France and Germany in the same camp as net contributors has created an important general community of interest. We shall be examining in more detail the specific areas in which our interests are likely to coincide, and where they will continue to diverge.

/Implications



Implications for British Tactics

All the existing Member States are worried about the consequences of enlargement. All have accepted it, despite their misgivings about the problems it will cause for the Community, because of the need to anchor Spain and Portugal firmly in the West European democratic camp. Enlargement will impose economic costs. But, with the exception of Papandreou (who has chosen to make this an occasion for blackmail) all have felt that it is a political necessity.

Worry about the difficulties which may beset the enlarged Community lies behind the current debate on the future of the Community. There is a nostalgia on the part of the original Six for a Community which is supposed to have been more cohesive, and did have a much greater degree of economic convergence. The French and Germans are thinking in terms of some changes - though not in the French case very far reaching ones - which might help decision-taking in the enlarged Community; or, failing that, for ways of permitting the emergence of a group of core countries within it. It was clear from the Prime Minister's talks in Bonn and the Foreign Secretary's recent talk with M. Dumas that the French and Germans are anxious that we should participate with them in this process.

The French and German ideas on how to proceed are still in the formative stage and, in many respects, ill-developed and ill thought out. The common theme at the moment is the paying of lip service at least to the need to complete the common market (though real progress will depend on tying them and others to specific actions and time-scales); more formal arrangements for political cooperation; and increased cooperation in some other areas. On decision-making there have been some indications from the Germans that they might now be prepared to agree to the formalisation of the Luxembourg compromise - which they have hitherto resisted - if others agree to the more extensive use of majority voting on less important issues. We shall have to see whether or not it is possible to get thinking on these issues turned in directions we could accept. A feature of the current debate, however modest the results that may realistically be expected from it and ill-conceived some of the ideas advanced, has been the tacit abandonment of the federalist and supra-national ambitions which characterised earlier discussions of this kind.

In the Foreign Secretary's view, the present situation is one of opportunities as well as risks. There is a realisation among the Six that, in terms of our industrial development, national income and economic interests, we are much closer to France and Germany than to the more "peripheral" members of the Community. Unless we are able to form an effective alliance with the French and Germans there is a risk that

/the



the enlarged Community could become unmanageable. It is difficult to see how the Community of Twelve could hope to survive on the basis of simply carrying forward existing policies. We must expect that some smaller and more cohesive grouping will emerge within it, though practical collaboration in different areas will be conducted with different partners (variable geometry - as envisaged in "Europe - the Future"). To the extent that there is an inner core within the Community, we shall want to be sure that the UK is able to exert effective influence on what is decided within it.

In the enlarged Community it will be more than ever true that the only way to get things done is to work for prior agreement between France, Germany and ourselves. This has to be achieved discreetly and mainly through bilateral contacts - we have to avoid trilateral meetings - but there should indeed be scope for us to seek to establish an informal alliance. This in turn means continuing to ensure that we do not allow the Franco-German partnership a monopoly in their pretensions to leadership in the Community. They have developed an intensive pattern of consultation and are always ready to make use of language depicting themselves as more European than in fact they are. But Fontainebleau has created opportunities for the exploitation of our common interests; and that will be the key to our ability to ensure that the enlarged Community functions in a way compatible with our interests.

I am sending a copy of this letter to Richard Hatfield (Cabinet Office). The more detailed paper will be prepared as quickly as possible.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

- 4 FEB 1985

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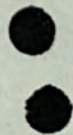


1983 OECD FIGURES

	GDP as a % of total GDP of a Community of 12	Relative prosperity (GDP per head as % of EC average)
Belgium	33.3	106
Denmark	2.3	141
Germany	26.5	138
Greece	1.5	47
France	20.7	122
Ireland	0.7	65
Italy	14.3	80
Luxembourg	0.1	112
Netherlands	5.4	119
United Kingdom	18.1	104
Spain	6.4	54
Portugal	0.8	28

- 4 FEB 1985

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10 DOWNING STREET

From the Private Secretary

4 February 1985

EC Enlargement: Israel

Considerable concern has been expressed by the Israeli Government that while the Community may agree measures to ease the impact of enlargement of the Community upon Morocco and Tunisia before the enlargement negotiations themselves are completed, Israel will be presented with a fait accompli at the end of these negotiations.

BF // It would be helpful to have an account of the position reached in the Community on the treatment of the Mediterranean countries after enlargement, with material which could be used to rebut allegations of discrimination against Israel.

(C.D. POWELL)

C.R. Budd, Esq.,
Foreign and Commonwealth Office.

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EC Engagement



C. D. Pomele, B.Sc.
No 10, Downing St.

Spoken to
Mr. Jay

CR
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Foreign and Commonwealth Office

he spoke. Anthony Acland
would be glad to learn if
you think something on
these lines is what the
Prime Minister has in
mind.

Michael Jay

28
/i

DSR 11 (Revised)

DRAFT: minute/letter/teleletter/despach/note

TYPE: Draft/Final 1+

FROM:
PRIVATE SECRETARY

Reference

DEPARTMENT: TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

Top Secret
Secret
Confidential
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Unclassified

C D Powell Esq
10 Downing Street

Copies to:

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SUBJECT:

.....In Confidence

ENLARGEMENT

CAVEAT.....

A

As you know, the Prime Minister mentioned to Sir Anthony
1. ~~When Sir Anthony Acland saw her on 5 January, the~~
~~Acland recently~~
~~Prime Minister said~~ that it would be useful for her to
have a further note on the implications of enlargement of
the Community particularly as regards the political
balance within it, ² drawing conclusions for our future
tactics. You ^{1h m, hr} subsequently told the PUS that there were
three aspects of this to which the Prime Minister
attached particular importance:

(i) on a political level, the implications of the
creation of a socialist crescent in the Community,
running from France through Spain (and Portugal) to
Italy and Greece;

(ii) the effect of enlargement on the geographical
balance within the Community, and consequently of the
interests of the Community seen as a whole. The Prime
Minister had in mind, among other things, the
geographical orientation of an enlarged Community
towards the Mediterranean, and a greater interest in

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Latin America;

(iii) the implications of these changes for British tactics in the Community. For example would the Community become unmanageable in practice after enlargement, and if so would it strengthen the case, despite the disadvantages and difficulties, of trying to form an informal Franco/German/British directorate? How might procedures have to be adapted?

B

2. Ministers discussed our objectives in relation to the enlargement negotiations last September (your letter to me of 14 September). We have achieved our objectives in relation to Spanish tariff dismantlement (including the special arrangements for cars), qualified majority voting and steel. We have secured a Community position that protects our essential interests on fisheries. We have also been able to use the prospect of accession to secure Spanish agreement to lift the frontier restrictions with Gibraltar. The questions which the Prime Minister has raised, however, go beyond the short term perspective, and relate to the eventual character of the enlarged Community.

The "Socialist Crescent"

3. The accession to the Community of two further countries at present with socialist governments could have some unwelcome implications. They may add their voices to those seeking stronger Community-wide social legislation and a more interventionist tone to Community pronouncements on economic policy. The Foreign Secretary

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is not convinced, however, that the 'socialist crescent' will be a very homogeneous or potent force within the Community. France is ^{may well not} ~~very likely no longer~~ to have a socialist government after 1986. Even its present one has moved steadily away from the more strongly socialist positions on economic policy which it adopted earlier. And from ~~this~~ ^{the} outset its position on security issues was if anything more robust than that of its predecessor. The Spanish and Portuguese governments are moderate, Atlanticist, and pragmatic (Gonzalez, for example, has pursued quite firm monetarist policies). Italy has a socialist Prime Minister, but he leads a centre right coalition government. None of these governments feels any very close political kinship with the non-aligned and anti-capitalist posturings of Papandreou. The only attempt so far to get the socialist Prime Ministers of all these countries round the same table (at Vouliagmeni in Greece during the 1983 Greek Presidency) ended in disagreement.

Enlargement and the Geographical Balance of the Community

4. Enlargement will shift the centre of gravity of the Community towards the poorer and more agrarian south. It will add 35% to the Community's land mass and 17% to its population, but ^{less than} ~~only~~ 8% to its GDP. Portugal and Spain will of course expect to get benefits from the Regional and Social funds. I attach a table of GDP per capita for the enlarged Community, which shows a fairly clear North-South split; with Ireland the only northern country

/to

to feature in the bottom five places. Spain and Portugal will add their weight to Italian-led efforts to secure for Mediterranean produce levels of support from FEOGA guarantee expenditure comparable to those for northern products. Support for Mediterranean agriculture has already risen to 25% of total FEOGA spending. This, however, is producing a reaction, in particular from the French. For one of the results has been that France is no longer a net-beneficiary from FEOGA; and the northern member states generally are concerned about the rapid rise in Community expenditure on Mediterranean produce. This is why it has been so important to reach agreement now on guarantee thresholds for the products in surplus, including wine; and to get firm commitments on olive oil. We have been able to work closely with the French, Dutch and Germans in this regard. Since this balance is unlikely to change, we are likely to have the French on our side in future arguments with the South about expenditure. The earlier French policy of expanding the Community southwards to increase French influence has in fact backfired.

5. In the Community's external policy, there will be strong pressures from the other Mediterranean countries, particularly Morocco and Tunisia, for the Community to help them make up, or to compensate them for the loss of markets for their products which Spanish accession will entail. Spain may support French and Italian efforts to work out a

/Mediterranean

Mediterranean policy, but has real conflicts of economic interest with the Mediterranean countries. Portugal's relationship with Angola and Mozambique is likely to lead to some intensification of interest in Southern Africa; but Portuguese objectives so far have been close to our own.

6. Spain and Portugal will try to re-inforce a tendency already evident in the existing Community for it to try to take a greater interest in Latin America. But there is little scope for EC trade concessions and there are obvious limits to the political influence the Community can exert in the area. We shall continue to ensure that it is not exerted in such a way as simply to cause friction with the Americans. The Spaniards were cautious last year in their dealings with Alfonsin. But they undoubtedly will maintain their low-profile pro-Argentine position on the Falklands, and this will increase the problems of maintaining Community solidarity at the United Nations. In general the participation of Spain and Portugal may make it marginally more difficult to reach common positions on some issues on political cooperation. But it is the Greeks who are likely to continue to cause the most difficulties in that regard, while political cooperation offers us ~~excellent~~ opportunities to influence Spanish and Portuguese thinking and bring them ^{well} (more into the mainstream of Western consultations ~~on the key international issues.~~

Implications for British Tactics

7. All the existing member states are worried about the consequences of enlargement. All have accepted it, despite

their misgivings about the problems it will cause for the Community, because of the need to bring ~~and tie~~ Spain and Portugal firmly into the West European democratic camp. All have felt that it is a political necessity to bring the negotiations to a successful conclusion, including the French, whose interests are most directly affected. They have insisted on the Community imposing tough conditions on Spain, but have not sought to block accession. The exception has been Papandreou, who has chosen to make this an occasion for blackmail.

/8.

8. Worry about the difficulties which may beset the enlarged Community lies behind ~~much~~ of the current debate on the future of the Community and an evident nostalgia on the part of the original Six for a Community which is supposed to have been more cohesive and ^{did have} ~~with~~ a much greater degree of economic convergence. This has been coupled with the realisation on the part of the French that they are going to join us and the Germans, and soon to overtake us, as net contributors to the Community budget. The French and Germans are thinking in terms of some institutional changes - though not in the French case very far reaching ones - which might help decisions to be arrived at in the enlarged Community; or, failing that, for ways of improving the cohesion of a group of core countries within it. It was clear from the Prime Minister's talks in Bonn and the Foreign Secretary's recent talk with ^{Mommsen} Dumas that the French and Germans are anxious that we should participate with them in this process.

9. The French and German ideas on how to proceed are still in the formative stage and, in many respects, ill-developed and ill-thought out. The common theme at the moment is the paying of lip service at least to the need to complete the common market (though real progress will depend on tying them and others to specific actions and time-scales); more formal arrangements for political cooperation; and increased cooperation in areas like education, science, health, culture, internal security. On decision-making there have been some indications from the Germans that they might now be prepared to agree to something, hitherto, they have always resisted, namely the formalisation of the Luxembourg compromise,

provided others agree to the more extensive use of majority voting on less important issues. We shall have to see whether or not it is possible to get thinking on these issues turned in directions we could accept. A feature of the current debate, however modest the results that may realistically be expected from it and ill-conceived some of the ideas advanced, has been the tacit abandonment of the federalist and supra-national ambitions which characterized earlier discussions of this kind.

10. In the Foreign Secretary's view, the present situation is one of opportunities as well as some risks. There is a realisation among the Six that, in terms of our industrial development, national income and economic interests, we are much closer to France and Germany than to the more 'peripheral' members of the Community. To the extent that there is an inner core within the Community, we shall want to be sure that the UK is part of it and is able to exert an effective influence on what is decided within it. Too visible a directorate would simply cause problems with the Italians and others. But in the enlarged Community it will be more than ever true that the only sure way to get things done, and done our way, is to work for prior agreement between France, Germany and ourselves. This has to be achieved mainly through bilateral contacts; ~~with them;~~ but there is indeed scope for us to attempt to achieve an informal directorate. This in turn means continuing to ensure that we do not allow the Franco/German partnership a monopoly on leadership in the Community. They have developed an intensive pattern of consultation and are

/always

always ready to make use of language depicting themselves as more European than in fact they are. ~~But~~ Fontainebleau has created opportunities for the exploitation of our common interests; and that will be the key to our ability to ensure that the enlarged Community functions in a way consistent with our interests.

But with
the French
now
joining the
Germans
and
considered
as net
contributors,

1983 OECD FIGURES

	GDP as a % of total GDP of a Community of 12	Relative prosperity (GDP per head as % of EC average)
Belgium	3.3	106
Denmark	2.3	141
Germany	26.5	138
Greece	1.5	47
France	20.7	122
Ireland	0.7	65
Italy	14.3	80
Luxembourg	0.1	112
Netherlands	5.4	119
United Kingdom	18.1	104
Spain	6.4	54
Portugal	0.8	28

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24 December 1984

This is simply to record that the Prime Minister has seen and noted your letter of 20 December about industrial tariffs following Spanish accession. She was grateful for this report.

(Timothy Flesher)

S. Nicklen, Esq.,
Department of Trade and Industry.

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108/2006



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215) 5144

GTN 215)

(Switchboard) 215 7877

From the Minister for Trade

Charles Powell Esq
Private Secretary to the
Prime Minister
10 Downing Street
SW1

One Minute

Now Charles

MW

20
21/12

December 1984

SPANISH ACCESSION: INDUSTRIAL TARIFFS

You might like to have details of the agreement which the Community reached with Spain early this week on the arrangements for the dismantlement of the industrial tariffs and on the special arrangements for cars after enlargement. Mr Channon represented the UK for this item at the meeting of the Foreign Affairs Council.

2 The agreement provides for the dismantling of tariffs in seven years so that after three years the tariffs will be reduced by 52½%. In addition there is a low tariff (17½%) quota for cars starting at 32,000 in 1986 rising to 36,000 and 40,000 over the next two years.

3 A major problem was the inability of the Community to agree on national shares of the low tariff car quotas. On every basis acceptable to most of the others, eg past trade, the UK share would have been miniscule. In the end the UK and Italy were given reserved shares of 2,000 a year each, with the rest available on a free-for-all basis, subject to Commission monitoring.

However, with Vice-President Davignon's assistance Mr Channon made a private agreement with the Spanish Foreign Minister which gives us a guaranteed allocation of 5,000 cars in year one with 6,000 and 7,000 in subsequent years. These figures are to be confirmed in an exchange of letters. We cannot in public refer directly to the Spanish undertaking. We can, however, say that we are confident that the UK share will come to about 5,000 cars in 1986, rising appreciably thereafter. We can also say that the Spanish have agreed to make interim improvements to the existing quotas for the second half of 1985, before Spain formally joins the Community.

4 Mr Channon believes that this is the best settlement we could achieve in the circumstances. He will be writing to West Midlands MPs about the outcome. Davignon has understood our position and been helpful to us all along; but there has been no support and little sympathy from other Member States. It was therefore important, if possible, to get an agreement before Davignon left the Commission.

5 The settlement gives something for all our exporters by packing 52½% of the duty reductions into the first three years. For cars (of course the most politically sensitive aspect of this issue) there will be a reduced duty quota more than double what we have now, with further increases thereafter, at a level of duty which is a substantial improvement on the present position. We are also getting something on account in 1985.



6 This is additional to the benefits which will come when Spain introduces VAT, which she must do by accession. VAT will end Spain's present tax discrimination against imports. Taking tax and duty burden together, UK cars outside the quotas trade at a 60% disadvantage against Spanish-made ones. This will have been halved one year after accession.

7 Austin Rover now have a chance to build up their position in Spain. It remains to be seen whether they are able to make use of it. Total UK car exports to Germany (whose car market is four times the size of Spain's) were only 7,300 in 1983, despite the total lack of tariff barriers.

8 I am copying this letter to Colin Budd and Anthony Cary (Foreign and Commonwealth Office) and to Richard Hatfield (Cabinet Office).

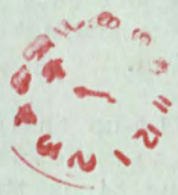
Your sincerely
Steve

STEPHEN NICKLEN
Private Secretary to the
Minister for Trade

20 December 1984

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TO IMMEDIATE FCO

TELNO 567 OF 10 DECEMBER 1984

AND TO IMMEDIATE UKREP BRUSSELS

INFO ROUTINE EC POSTS, MADRID, LISBON

MY TELS NOS 559 AND 560: IMPS AND ENLARGEMENT.

1. PAPANDREOU SPEAKING IN PARLIAMENT ON 7 DECEMBER CORRECTED WHAT HE DESCRIBED AS MISLEADING REPORTS ABOUT THE GREEK STANCE AT THE EUROPEAN COUNCIL.

2. HE SAID GREECE WELCOMED THE ACCESSION OF SPAIN AND PORTUGAL TO THE COMMUNITY. SHE COULD NOT, HOWEVER, AGREE TO ENLARGEMENT WITHOUT AGREEMENT ON IMPS. HE DID NOT SPECIFY AN EXACT FIGURE BUT SAID THAT THE TOTAL AMOUNT SHOULD BE SATISFACTORY WITH REGARD TO THE OBJECTIVES WHICH IMPS WERE GOING TO SERVE. GREECE HAD NOT BLOCKED THE ENLARGEMENT NEGOTIATIONS, BUT HAD INSISTED THAT THE AGREEMENTS REACHED WOULD BE AD REFERENDUM AND LINKED TO IMPS. THIS MEANT THAT THE ENLARGEMENT PACKAGE, INCLUDING IMPS, WOULD BE SUBMITTED 'IN ITS TOTALITY' FOR APPROVAL AT THE NEXT EUROPEAN COUNCIL IN MARCH.

3. HE SAID THAT THERE HAD ALSO BEEN A MISUNDERSTANDING CONCERNING THE GREEK RESERVATION ON WINE. 'I STATE HERE RESPONSIBLY THAT WE DO NOT HAVE A PARTICULAR RESERVATION ABOUT THE SQUARE BRACKETS WINE AGREEMENT, BUT ONLY AS A GENERAL RESERVATION WHICH WE HAVE TO PUT DOWN, THAT IS TO SAY AD REFERENDUM UNTIL MARCH'.

4. THE GREEK GOVERNMENT'S POSITION ON IMPS HAS COMMANDED WIDE SUPPORT IN GREECE BOTH FROM THE OPPOSITION IN PARLIAMENT AND THE MEDIA. NEW DEMOCRACY HAS CRITICISED ONLY THE HANDLING OF THE ISSUE CLAIMING IT SHOULD HAVE BEEN SOLVED LONG BEFORE DUBLIN. MITSOTAKIS'S INCAUTIOUS REMARK THAT GREECE IS TOO SMALL A COUNTRY TO USE THE VETO HAS BEEN SEIZED UPON BY THE GOVERNMENT AS EVIDENCE THAT HE IS A FOREIGN STOOGUE 'ECHOING MRS THATCHER'S VIEWS'.

5. THE UK IS IDENTIFIED IN ALL THE MEDIA AS THE MAIN OBSTACLE TO GREEK OBJECTIVES. PAPANDEOU IN ADDRESSING PARLIAMENT THANKED THE ITALIANS FOR THEIR SUPPORT AND SAID THAT THE FRENCH WERE ALSO ON THE GREEK SIDE, ALTHOUGH THEY HAD RESERVATIONS ABOUT THE TOTAL AMOUNT FOR IMPS.

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TO IMMEDIATE F C O

TELEGRAM NUMBER 4008 OF 28 NOVEMBER

INFO PRIORITY COPENHAGEN, THE HAGUE, ROME, DUBLIN, PARIS, BONN,

LUXEMBOURG, ATHENS, MADRID

INFO SAVING BRUSSELS.

FOREIGN AFFAIRS COUNCIL 26-28 NOVEMBER.

SPANISH ACCESSION: TARIFF TRANSITION.

1. COMMISSION CONTACTS WITH SPAIN LEAD TO DAVIGNON PROPOSING A PACKAGE COVERING CARS, HIGH TARIFFS AND THE GENERAL REGIME OF DISMANTLEMENT. THIS WAS ACCEPTABLE TO ALL EXCEPT UK WHO HAD PARTICULAR DIFFICULTY ON PROGRESSIVITY FOR CAR QUOTA AND THE LACK OF ^{FRONT} FIRSTLOADING IN GENERAL TRANSITION TO BALANCE A WEAKER REGIME FOR HIGH TARIFFS AS WELL AS NEEDING FIRM ASSURANCE ON ALLOCATION OF THE CAR QUOTA. AFTER NEGOTIATIONS HAD COME TO A STANDSTILL CONTACT WITH THE SPANISH PRIME MINISTER SUGGESTED FURTHER FLEXIBILITY IN THE SPANISH POSITION.

DETAIL

2. ON TUESDAY EVENING DAVIGNON REPORTED ON HIS TALKS WITH SPAIN. THE ONLY MOVEMENT WAS THAT THEY WERE WILLING TO ACCEPT 24 PER CENT AS THE STARTING POINT FOR HIGH TARIFF TREATMENT. THEY HAD REJECTED THE IDEA THAT THERE SHOULD BE NO EXCLUSIONS FROM THE RESULTING LIST. THEY HAD MENTIONED NUMBERS FOR THE CAR TARIFF QUOTA WHICH WERE NOT WORTH MENTIONING AND HAD INSISTED ON MAINTAINING THE FOUR CATEGORIES BY CAPACITY.

3. DAVIGNON THEN PROPOSED THAT HE SHOULD BE AUTHORISED TO EXPLORE THE POSSIBILITY OF RAISING THE BASE LINE FOR CALCULATING THE PART OF A TARIFF SUBJECT TO ACCELERATED DISMANTLEMENT FROM 20 PER CENT TO 24 PER CENT. I REMINDED DAVIGNON OF THE SCORN HE HAD Poured THE DAY BEFORE ON THE IDEA OF APPLYING ACCELERATED DISMANTLEMENT TO THE 1.6 PER CENT OF A 21.6 PER CENT TARIFF. WITH A 24 PER CENT BASE LINE THE SAME LOGIC WOULD APPLY TO A 25.6 PER CENT TARIFF. DAVIGNON'S REPORT HAD SHOWN NO SIGN OF MOVEMENT ON THE SPANISH SIDE. I WAS ALREADY UNDER FIRE FOR HAVING ACCEPTED THE 24 PER CENT TRIGGER LEVEL AND COULD NOT POSSIBLY GO FURTHER. DAVIGNON'S PROPOSAL CONSIDERABLY REDUCED THE IMPACT OF ACCELERATED DISMANTLEMENT FOR A NUMBER OF IMPORTANT PRODUCTS. I NOTED THAT AS THE NEGOTIATIONS PROGRESSED INCREASING WEIGHT SEEMED TO ATTACH TO THE GENERAL REGIME OF DISMANTLEMENT. WE WOULD LOOK CAREFULLY AT THE OVERALL BALANCE OF ANY PACKAGE TO EMERGE FROM DAVIGNON'S DISCUSSIONS.

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4. THE ONLY OTHER SPEAKER WAS RUHFUS (FRG) WHO AGREED THAT DAVIGNON SHOULD HAVE MORE FLEXIBILITY AND WAS HAPPY WITH THE LINE PROPOSED. DAVIGNON SAID HE WANTED TO CLINCH A DEAL QUICKLY. HE HAD NOTED IN PARTICULAR THE UK'S VIEWS, AND ACCEPTED THAT ANY PACKAGE WOULD HAVE TO BE ACCEPTABLE AS A WHOLE.

5. ON WEDNESDAY 28 NOVEMBER DAVIGNON CIRCULATED A NEW PACKAGE (MUFAXED TO FCO AND TO DTI BY HAND OF BROTHERTON) THIS INCLUDED

(A) ACCELERATED DISMANTLEMENT OF THE PART OF TARIFFS ABOVE 24 PER CENT, WITH 15 SENSITIVE ITEMS EXCLUDED FROM HIGH TARIFF TREATMENT

(B) A QUOTA OF 28,000 CARS RISING TO 40,000 AFTER THREE YEARS, WITH A TARIFF OF 18.3 PER CENT, DIVIDED INTO FOUR CATEGORIES BY CAPACITY WITH 13,000 CARS IN THE 1275-1990 CATEGORY.

(C) A QUOTA OF 1000 VANS (LESS THAN 2000 KG) RISING TO 1500 AT A TARIFF OF 15.8 PER CENT.

(D) 7 YEAR DISMANTLEMENT IN THE PATTERN: 10, 12 AND A HALF, 12 AND A HALF, 15, 15, 15, 10, 10.

THE COMMISSION ALSO SUGGESTED THAT THE 28,000 CARS SHOULD BE SPLIT AS FOLLOWS:

FRG	10,900
FRANCE	6,200
ITALY	5,200
UK	5,000
BELGIUM/NETHERLANDS	700.

6. DAVIGNON SAID THAT HE WANTED TO PUT THIS TO SPAIN ON A TAKE IT OR LEAVE IT BASIS. THERE WAS A CHANCE OF AGREEMENT ON THE SPOT. IF THE CHAPTER WAS LEFT TO LATER IT MIGHT BECOME RELINKED TO AGRICULTURE. HE RECOUNTED HOW HE HAD PRESSED THE SPANIARDS ON ALL THE POINTS OF CONCERN TO THE COUNCIL AND HAD SEEN NO SIGN OF MOVEMENT. IN PARTICULAR HE HAD ARGUED FOR FRONT LOADING SO THAT 55 PER CENT OF TARIFFS WERE REMOVED IN THE FIRST THREE YEARS. THERE WAS NO CHANCE OF SPAIN ACCEPTING THAT: INTRODUCTION OF VAT WOULD ALREADY REDUCE THEIR COMPETITIVE ADVANTAGE IN YEAR ONE AND IT WAS FOR THAT REASON THAT HE PROPOSED A 10 PER CENT REDUCTION AS THE FIRST STEP. DAVIGNON SAID THAT THE SUGGESTED ALLOCATION OF THE CAR QUOTA COULD BE DISCUSSED AT A LATER STAGE.

7. DUMAS (FRANCE) SAID THAT 40,000 CARS IN YEAR THREE SEEMED OVER-GENEROUS. THE SUGGESTED ALLOCATION WAS UNJUST. FRANCE SHOULD HAVE MORE. DISCUSSION ON THIS SHOULD START FROM ZERO AND NOT FROM THE COMMISSION'S SUGGESTION. (BILATERALLY THE FRENCH TOLD US THEY INTENDED TO CUT THE GERMAN AND ITALIAN SHARES AND NOT OURS). POENSGEN (FRG) SAID THAT THE PROPOSED GERMAN SHARE WAS QUITE OUT OF LINE WITH ITS 67 PER CENT SHARE OF THE SPANISH MARKET. VAN EEKELEN (NETHERLANDS) SAID THEIR FIGURE WAS TOO LOW AS WELL. THEIR QUOTA AND THAT OF BELGIUM SHOULD BE SEPARATED. MR RIFKIND SAID THAT THE UK COULD NOT AGREE ANY PACKAGE WITHOUT CLEAR AGREEMENT THAT THE UK WOULD GET 5000 CARS IN THE QUOTA.

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8. ON THE OVERALL PACKAGE FIORET (ITALY) CALLED FOR MORE CARS IN THE SMALLEST CATEGORY. VAN EEKELLEN WONDERED WHETHER IT WAS ANY LONGER WORTH AIMING FOR SPECIAL TREATMENT FOR HIGH TARIFFS. THE NUMBER OF PRODUCTS CONCERNED AND THE IMPACT OF ACCELERATION MECHANISM WERE BOTH LIMITED. HE SUGGESTED DROPPING ALL HIGH TARIFF TREATMENT AND THE QUOTA FOR CARS AND INSTEAD SEEKING FRONT LOADING TO GIVE 57 AND A HALF PER CENT REDUCTION IN THE FIRST THREE YEARS. ALTERNATIVELY THE CAR QUOTA COULD STAND, AND OTHER HIGH TARIFF TREATMENT COULD BE DROPPED IN EXCHANGE FOR A 55 PER CENT REDUCTION IN THE FIRST THREE YEARS. POENSGEN AGREED WITH THESE IDEAS.

9. MR RIFKIND SAID THAT HE WOULD BE CONTENT FOR THE COMMISSION TO PUT A PROPOSITION TO SPAIN ON A TAKE IT OR LEAVE IT BASIS BUT THE CONTENT WOULD HAVE TO BE DIFFERENT FROM THAT PROPOSED. HE RECALLED THAT THE PREVIOUS EVENING DAVIGNON HAD SUGGESTED THE COMMUNITY MAKE A CONCESSION ON THE BASE LINE IN EXCHANGE FOR NO EXCLUSION ON GROUNDS OF SENSITIVITY ITEMS. NOW THE COMMUNITY WAS ASKED TO ACCEPT BOTH. THE STARTING POINT FOR THE CAR QUOTA WAS SATISFACTORY SUBJECT TO THE RIGHT ALLOCATION ARRANGEMENTS BUT THE GROWTH PROPOSED WAS TOO LOW. THE UK WANTED A QUOTA OF 56,000 AFTER THREE YEARS. WE ALSO NEEDED AN INCREASE IN THE PART OF THE QUOTA FOR CARS BETWEEN 1275 AND 1990 CC - AT LEAST ANOTHER 2,000 VEHICLES. THE DUTY OF 18.3 PER CENT RESULTED FROM THE GENERAL RHYTHM OF DISARMAMENT PROPOSED AND MIGHT THEREFORE BE SUBJECT TO MODIFICATION BUT IT WAS IN ANY CASE TOO HIGH AND DID NOT ACHIEVE THE STATED OBJECTIVE OF THE COUNCIL OF A SUBSTANTIAL REDUCTION - THE TARIFF QUOTA IN EXISTENCE BEING PARTLY IN A RATE OF 19 PER CENT. ON COMMERCIAL VEHICLES MR RIFKIND SAID THAT THE QUANTITIES PROPOSED SEEMED MINIMAL AND WE WOULD LIKE TO SEE AN IMPROVEMENT (IN PRIVATE AND AT WORKING LEVEL THE COMMISSION TOLD US THAT THEY DID NOT PROPOSE TO ALLOCATE THE COMMERCIAL VEHICLE QUOTA NATIONALLY BUT WOULD SUPERVISE ITS RUNNING TO ENSURE FAIR PLAY AND BEARING IN MIND TRADITIONAL PATTERNS OF TRADE). MR RIFKIND SAID THAT IT WAS MOST IMPORTANT TO HAVE SOME ELEMENT OF FRONT LOADING IN THE OVERALL DISMANTLEMENT REGIME, ALL THE MORE SO SINCE THIS MIGHT NOW INCLUDE ALL TARIFFS UP TO 24 PER CENT. IF A PATTERN OF 12 AND A HALF, 12 AND A HALF, 15, 15 COULD BE AGREED FOR THE FIRST FOUR CUTS IT WOULD BE POSSIBLE FOR THE UK TO ACCEPT THE 24 PER CENT BASE LINE AND THE EXCLUSION OF SENSITIVE ITEMS.

10. DAVIGNON SAID THAT THE U.K SHOULD BEAR IN MIND THAT TWO-THIRDS OF THE EXISTING QUOTAS WAS AT 25%. 18.3% WAS THEREFORE A SUBSTANTIAL REDUCTION. AS FOR THE GENERAL RHYTHM OF DISARMAMENT A FEW PERCENTAGE POINTS CHANGE IN EITHER DIRECTION WOULD BE NULLIFIED BY A CHANGE IN THE VALUE OF THE PESETA. THE COMMUNITY SHOULD BE CAREFUL NOT TO IMPOSE TOO HARSH CONDITIONS ON SPAIN OR IT WOULD FIND THEM TAKING SAFEGUARD ACTION ON A NUMBER OF PRODUCTS. HE DID NOT BELIEVE

THAT THERE WAS ANY POSSIBILITY AT ALL OF NEGOTIATING ANYTHING WITH THE SPANIARDS WHICH WAS HARSHER THAN THE TERMS HE PROPOSED. BUT IF THE COUNCIL WISHED TO CHANGE THE PROPOSAL THEY WERE FREE TO TAKE OVER THE NEGOTIATION THEMSELVES.

11. THE PRESIDENCY CONDUCTED A TOUR DE TABLE ASKING IF DELEGATIONS COULD ACCEPT DAVIGNON'S PACKAGE AS IT STOOD ON A YES OR NO BASIS. ALL SAID YES EXCEPT MR RIFKIND AND VAN EEKELEN (THOUGH IF HE HAD SPOKEN BEFORE THE U.K HE MIGHT WELL HAVE ACCEPTED).

12. THE COUNCIL THEN MET IN MINISTERS-ONLY FORMATION. DAVIGNON EXPLAINED THAT AS HE HAD LEFT THE SPANIARDS THEY HAD BEEN OFFERING A TARIFF QUOTA OF 22,000 CARS RISING TO 35,000, NOTHING ON LIGHT COMMERCIAL VEHICLES AN OVERALL DISMANTELEMENT PATTERN BEGINNING 10, 10, 15, 15. HE WAS REASONABLY CONFIDENT THAT THE SPANIARDS WOULD ACCEPT HIS PROPOSALS ON THE GENERAL TARIFF REGIME BUT LESS SO THAT HE COULD GET 28,000 - 40,000 FOR CARS. HE WAS SURE THAT 28,000 - 48,000 AS PROPOSED BY THE U.K WOULD BE NON-NEGOTIABLE. BUT HE THOUGHT THAT AN OVERALL PATTERN OF 10, 12 AND A HALF, 15, 15 MIGHT BE WORTH PROPOSING. MR RIFKIND SAID THAT HE WOULD CONSIDER FURTHER THE QUESTION OF AN OVERALL REGIME GIVING 52 AND ONE HALF PERCENT REDUCTION ON THE FIRST THREE YEARS, BUT THAT IT WAS ESSENTIAL FOR THE U.K TO HAVE A FIRM QUOTA ALLOCATION OF 5,000 CARS AND A QUOTA THAT ROSE TO 48,000. RUHFUS (FRG) SAID THAT GERMANY COULD NOT ACCEPT NATIONAL ALLOCATION OF THE CAR QUOTA. THE FRG WOULD IN ANY CASE HAVE TO GET MORE THAN THE COMMISSION'S PROPOSAL IMPLIED. DUMAS REPEATED THAT 6,200 UNITS WAS NOT ENOUGH FOR FRANCE. RUHFUS SAID THAT SOME ELEMENT OF FRONT LOADING COULD ENABLE THE COMMUNITY TO DROP THE REST OF THE PACKAGE INCLUDING CARS. DAVIGNON POINTED OUT THAT THIS WOULD BE POLITICALLY IMPOSSIBLE FOR THE U.K AND ITALY. THEREAFTER DAVIGNON BULLIED AND BARRY (PRESIDENCY) PLEADED BUT MR RIFKIND CONTINUED TO INSIST ON THE REQUIREMENTS MENTIONED ABOVE.

13. IN SUBSEQUENT TELEPHONE CONTACT WITH GONZALES DAVIGNON FOUND THAT SPAIN COULD ACCEPT A QUOTA OF 45,000 CARS FOR YEAR THREE WITH SOME REDUCTION IN THE COMMERCIAL VEHICLE QUOTA, BUT WERE UNWILLING TO MOVE ON THE GENERAL TRANSITION REGIME.

FCO ADVANCE TO:

FCO - PS/SOS, PS/MOS, PS/PUS, RENWICK, CROWE
EVANS ECD(E) (DESKBY 290800Z)

DTI - PS/NOT, WILLIAMS, LACKEY, BROTHERTON (ECIP).

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(ADVANCED AS REQUESTED)

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COPIES TO:
ADVANCE ADDRESSEES

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PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T.175AA/84 2ee

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TO IMMEDIATE MADRID

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24 OCT 1984	
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TELEGRAM NUMBER 318 OF 19 OCTOBER
REPEATED FOR INFORMATION IMMEDIATE UKREP BRUSSELS
INFO ROUTINE DUBLIN, BONN, LISBON
INFO SAVING OTHER EC POSTS
YOUR TELNOS 509 AND 510: SPAIN/EC: MESSAGE FROM SPANISH PRIME
MINISTER

90-91-

1. THE PRIME MINISTER HAS APPROVED THE FOLLOWING REPLY TO SENOR
GONZALEZ'S MESSAGE:

BEGINS ' DEAR PRIME MINISTER,
THANK YOU FOR YOUR LETTER OF 16 OCTOBER.

AS YOU KNOW, BRITAIN'S SUPPORT FOR THE ACCESSION OF SPAIN AND
PORTUGAL TO THE COMMUNITY HAS BEEN STRONG AND STEADFAST. I SHARE
YOUR CONCERN AT THE SLOW PROGRESS OF THE NEGOTIATIONS IN THE
LAST TWO MONTHS, AND YOUR FIRM COMMITMENT TO SEEING THEM BROUGHT
TO A SUCCESSFUL CONCLUSION IN TIME FOR SPAIN AND PORTUGAL TO
ENTER THE COMMUNITY ON 1 JANUARY 1986.

SOME OF THE ISSUES OUTSTANDING ARE DIFFICULT AND POLITICALLY
SENSITIVE FOR MEMBER STATES, AS SOME OF THEM ARE FOR SPAIN, BUT
I AM CONVINCED THAT WITH SUFFICIENT DETERMINATION ON ALL SIDES
SOLUTIONS CAN AND MUST BE FOUND QUICKLY. AS GEOFFREY HOWE WILL
BE MAKING CLEAR TO THE IRISH PRESIDENCY IN HIS CONTACTS WITH THEM
THIS WEEK, WE WOULD LIKE TO SEE A MAJOR STEP FORWARD AT NEXT
WEEK'S FOREIGN AFFAIRS COUNCIL IN LUXEMBOURG, AND WE WILL BE READY
TO MAKE OUR FULL CONTRIBUTION TO THIS.

MEANWHILE, I HAVE BEEN GLAD, AS YOU WILL HAVE BEEN, TO
HEAR OF THE PROGRESS BEING MADE IN THE CONTACTS BETWEEN GEOFFREY
HOWE AND FERNANDO MORAN OVER GIBRALTAR.

WITH BEST WISHES

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11115 - 2

MARGARET THATCHER ENDS.

2. PLEASE DELIVER THIS REPLY AS SOON AS POSSIBLE TO THE PRIME
MINISTER'S OFFICE.

HOWE

NNNN

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SED

MR DEREK THOMAS

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089
cc: Sir P. Gaddock

10 DOWNING STREET

From the Private Secretary

19 October 1984

EC/SPAIN: LETTER FROM THE SPANISH PRIME MINISTER

Thank you for your letter of 18 October enclosing a draft reply from the Prime Minister to the message from Senor Gonzalez.

ball
As I told you on the telephone this morning, the Prime Minister has agreed the reply.

I am sending copies of this letter to David Peretz (HM Treasury), Callum McCarthy (Department of Trade and Industry), Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food) and David Williamson (Cabinet Office).

Charles Powell

Colin Budd, Esq.,
Foreign and Commonwealth Office.

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Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

Agree draft
reply attached?

18 October 1984

Dear Charles,

C.D.P.
10/11Yes mt
attachedEC/Spain: Letter from the Spanish Prime Minister

You will have seen the letter of 16 October from Senor Gonzalez to the Prime Minister about the Spanish accession negotiations (Madrid telnos 509 and 510, copies enclosed). Similar messages have gone to other Community Heads of Government. I enclose a draft reply, in the form of a telegram to Madrid.

This letter is a general appeal for a greater effort on the part of Member States to overcome the outstanding problems within the Community over Spanish accession. It is clearly timed to influence national positions in advance of the Foreign Affairs Council in Luxembourg on 22/23 October. This Council is seen as a particularly crucial one. It follows three Foreign Affairs Councils in a row in the past two months, at which little progress has been made on a Presidency package (including olive oil, wine and Spanish tariffs). The Irish Presidency is also working to establish a basis for progress at this Council; Mr O'Keefe, the Irish Minister of State for Foreign Affairs has been touring Community capitals and will be in London this afternoon for talks with the Foreign Secretary and Mr Rifkind.

The message is aimed mainly at the French, Italians and Greeks, who are between them mainly responsible for the current deadlock. Our position continues to be seen by the Spaniards as generally helpful. Sir Geoffrey therefore believes that we should get in a quick and positive reply in brief and general terms before the Foreign Affairs Council. The Spaniards have in fact asked for a reply if possible before Gonzalez meets President Mitterrand this weekend. They expect Kohl to reply by then too.

We suggest that the reply should include a short reference to Gibraltar, and have inserted one in the draft. The Spaniards might misinterpret the absence of a reference as a change in our position and the Gibraltarians would not understand it if a reply making no reference to Gibraltar were to become public. But given the satisfactory progress so far in his current series of talks with Senor Moran, Sir Geoffrey does not believe that we should labour the point.

/I am

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I am sending copies of this letter to David Peretz (HM Treasury), Callum McCarthy (DTI), Ivor Llewelyn (MAFF) and David Williamson (Cabinet Office).

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

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OUT TELEGRAM

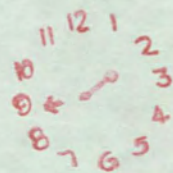
	Classification and Caveats RESTRICTED	Precedence/Deskby IMMEDIATE
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ZCZC GRS CLASS CAVEATS DESKBY FM FCO PRE/ADD TEL NO	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25	ZCZC GRS RESTRICTED FM FCO TO IMMEDIATE MADRID TELEGRAM NUMBER REPEATED FOR INFORMATION IMMEDIATE UKREP BRUSSELS INFO ROUTINE DUBLIN, BONN, LISBON INFO SAVING OTHER EC POSTS YOUR TELNOS 509 AND 510: SPAIN/EC: MESSAGE FROM SPANISH PRIME MINISTER 1. The Prime Minister has approved the following reply to Senor Gonzalez's message: BEGINS " Dear Prime Minister, Thank you for your letter of 16 October. As you know, Britain's support for the accession of Spain and Portugal to the Community has been strong and steadfast. I share both your concern at the slow progress of the negotiations in the last two months, and your firm commitment to seeing them brought to a successful conclusion in time for Spain and Portugal to enter the Community on 1 January 1986.
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NNNN ends telegram	BLANK	Catchword
File number	Dept ECD(E)	Distribution ECD(E)
Drafted by (Block capitals) F N RICHARDS		
Telephone number 233 5337		
Authorised for despatch		
Comcen reference	Time of despatch	

18 OCT 1984



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AMENDED DISTRIBUTION

FM MADRID 161800Z OCT 84
TO IMMEDIATE FCO

17/10

TELEGRAM NUMBER 509 OF 16 OCTOBER

INFO IMMEDIATE UKREP BRUSSELS, PARIS, DUBLIN, BONN AND LISBON
INFO SAVING OTHER EC POSTS (FCO PLEASE PASS)

MY TELNO 508: SPAIN/EC

1. FELIPE GONZALEZ SUMMONED EC AMBASSADORS IN MADRID THIS EVENING AND HANDED EACH OF US A LETTER TO OUR HEADS OF GOVERNMENT. THIS DRAWS ATTENTION TO THE CRUCIAL DAYS AHEAD IN THE NEGOTIATIONS WITH SPAIN, UNDERLINES THE POSITIVE SPANISH ATTITUDE, BOTH AS REGARDS THE OBJECTIVE OF MEMBERSHIP AND THE NEGOTIATIONS, AND EXPRESSES DISQUIET ABOUT THE LACK OF AGREEMENT AMONG THE TEN, WHICH IS CREATING A FEELING OF SCEPTICISM AND DISILLUSION IN SPANISH PUBLIC OPINION. THE LETTER CONCLUDES WITH THE HOPE THAT THE COMMUNITY WILL RISE ABOVE ITS PRESENT DIFFERENCES TO ENABLE SPAIN TO PARTICIPATE IN THE CONSTRUCTION OF EUROPE. FULL TEXT IN MIFT.

2. BEFORE HANDING OVER THE LETTERS FELIPE GONZALEZ MADE A NUMBER OF ADDITIONAL POINTS ORALLY. WHILE HE REGARDED THE PRESENT PROCESS AS IRREVERSIBLE, HE DID NOT THINK THE PRESENT NEGOTIATIONS SHOULD BE DRAWN OUT INDEFINITELY. HE WAS SERIOUSLY WORRIED THAT IF THE NEGOTIATIONS CONTINUED INTO 1985 THEIR TEMPO WOULD SLACKEN. APART FROM THE PROBLEMS OF CONTENT, HE WAS WORRIED ABOUT THE PRESENT PROCEDURES AND WORKING METHODS. INTERVENTION AT THE HIGHEST LEVEL WAS NOW NECESSARY TO GLOBALISE AND UNBLOCK THE NEGOTIATIONS. THE MEETING ON 23 OCTOBER WOULD BE A KEY ONE, AND HE HOPED THAT FINAL PACKAGES WOULD THEN BE PUT ON THE TABLE.

3. IN THE BRIEF DISCUSSION WHICH FOLLOWED, FELIPE GONZALEZ SUGGESTED THAT THERE WERE POINTS OF DETAIL IN ALL INTERNATIONAL NEGOTIATIONS WHICH REMAINED TO BE SOLVED ONCE AGREEMENTS HAD BEEN CONCLUDED: HIS IMPLICATION WAS THAT THIS COULD BE THE CASE WITH SPANISH ACCESSION. HE DID NOT MENTION THE POSSIBILITY OF VISITS BY HIMSELF OR OTHER MINISTERS TO EC CAPITALS (SEE MY TUR) BUT SAID THAT HE WAS OPEN AT ALL TIMES TO CONTACTS AT ANY LEVEL IN ORDER TO GET THINGS MOVING.

4. FELIPE GONZALEZ'S TONE WAS MUCH LESS STIFF THAN THAT OF HIS LETTER. HE SAID THAT THE SPANISH GOVERNMENT DID NOT INTEND TO PUBLISH THIS. COPIES HAD BEEN SENT TO ALL SPANISH MISSIONS IN EC COUNTRIES AS WELL AS THE COMMISSION.

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6. NOW SEE MIFT.

FCO PLEASE PASS SAVING EC POSTS

GORDON LENNOX

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FROM MADRID 161800Z OCTOBER 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 510 OF 16 OCTOBER 84

INFO IMMEDIATE UKREP BRUSSELS, PARIS, DUBLIN, BONN, LISBON

INFO SAVING ALL OTHER EC POSTS

BELOW

MIPT: LETTER FROM SPANISH PRIME MINISTER

1. FOLLOWING IS OUR TRANSLATION OF LETTER DATED 16 OCTOBER FROM SPANISH PRIME MINISTER TO MRS THATCHER.

2. "A YEAR AFTER MY LAST LETTER TO THE HEADS OF STATE AND GOVERNMENT OF THE EC COUNTRIES, I CONSIDER IT OPPORTUNE TO WRITE TO YOU AGAIN AT A CRUCIAL MOMENT IN THE CULMINATION OF THE PROCESS OF SPANISH ACCESSION TO THE COMMUNITY.

THE DECISIONS ADOPTED BY THE EUROPEAN COUNCILS HELD IN STUTTGART IN JUNE 1983 AND IN FONTAINEBLEU IN JUNE 1984, BOTH IN SO FAR AS THEY REFER TO THE CONNECTION BETWEEN THE INCREASE IN OWN RESOURCES AND THE ENLARGEMENT OF THE COMMUNITY, AND TO THE AIM THAT THE TREATY OF ACCESSION SHOULD COME INTO FORCE ON 1 JANUARY 1986, MARKED MILESTONES IN THIS PROCESS WHICH WERE VIEWED VERY POSITIVELY BY SPANISH PUBLIC OPINION.

THE POLITICAL WILL TO BRING ABOUT ENLARGEMENT, CLEARLY EXPRESSED IN BOTH EUROPEAN COUNCILS, BLENDED WITH MY COUNTRY'S UNDOUBTED MEMBERSHIP OF THE WESTERN WORLD AND WITH THE IDEAL FOR EUROPEAN INTEGRATION CHERISHED BY THE SPANISH PEOPLE.

HOWEVER AT PRESENT THE PROGRESS OF THE NEGOTIATING PROCESS CAN ONLY BE REGARDED WITH ANXIETY, FUNDAMENTALLY BECAUSE OF THE LACK OF COMMUNITY PROPOSITIONS ON ESSENTIAL POINTS AND CHAPTERS IN THE NEGOTIATIONS. THE LACK OF AGREEMENT WITHIN THE COMMUNITY MEANS THAT WE HAVE ALREADY PASSED THE DATE INITIALLY FORECAST BY THE COMMUNITY FOR THE END OF NEGOTIATIONS AND, IF THINGS GO ON AS THEY ARE, MAY ALSO JEOPARDIZE THE TIMETABLE FIXED FOR ENLARGEMENT.

THIS SITUATION IS GENERATING SCEPTICISM AND MOUNTING DISILLUSION IN SPANISH PUBLIC OPINION IN THE FACE OF WHAT IS SEEN AS THE COMMUNITY'S INABILITY TO CONVERT INTO CONCRETE DECISIONS THEIR CLEARLY EXPRESSED POLITICAL WILL, AND TO FULFILL THE COMMITMENTS MADE BY THE COMMUNITY TO THE CANDIDATE COUNTRIES.

I WOULD LIKE TO REITERATE ONCE MORE THAT SPAIN WILL CONTINUE TO MAINTAIN A POSITIVE ATTITUDE, BOTH TOWARDS THE OBJECTIVE PURSUED AND THE FULFILMENT OF HER FORMAL OBLIGATIONS IN THE FRAMEWORK OF THE NEGOTIATING CONFERENCE.

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THE SPANISH GOVERNMENT CONSIDERS THAT FULL ADVANTAGE MUST BE TAKEN OF THE DAYS AHEAD TO FIND, THROUGH THE MOST APPROPRIATE NEGOTIATING MECHANISMS, ACCEPTABLE SOLUTIONS TO ALL THE REMAINING PROBLEMS, IN ACCORDANCE WITH PRINCIPLES OF BALANCE, RECIPROCITY AND PROGRESSIVITY HALLOWED IN THE COURSE OF THE NEGOTIATIONS.

IF THE NEGOTIATIONS ARE TO REACH A SATISFACTORY CONCLUSION, THE SACRIFICES MUST BE FAIRLY DIVIDED AMONG EVERYBODY, SETTING ASIDE ANY TEMPTATION TO TRY TO MAKE THEM FALL EXCLUSIVELY ONTO THE CANDIDATE COUNTRIES.

IN THIS WAY, BY MEANS OF FAIR, EFFICIENT AND LASTING SOLUTIONS, ENLARGEMENT CAN BE ACHIEVED AS INTENDED AND MY COUNTRY WILL THEREFORE BE ABLE TO COOPERATE CLOSELY WITH OTHER EUROPEAN COUNTRIES AND, WITH THEM, CONTRIBUTE TO THE PROSPERITY AND SECURITY OF EUROPE.

THE CONCERNS WHICH I HAVE EXPRESSED TO YOU IN THIS LETTER, AS WELL AS THE CONSIDERATIONS I HAVE OUTLINED, ARE ALSO ACCOMPANIED BY MY HOPE THAT THE CURRENT DIFFICULTIES MAY BE OVERCOME AND THAT, WITH A JOINT EFFORT, WE MAY ACHIEVE THE SHARED OBJECTIVE OF THE ENLARGEMENT AND REACTIVATION OF THE EUROPEAN COMMUNITY.

WHAT IS AT STAKE IS THE COMMUNITY'S CAPACITY TO DEMONSTRATE ITS VITALITY, BY INTEGRATING THOSE EUROPEAN COUNTRIES WHICH, LIKE SPAIN, WANT TO PARTICIPATE IN THE CONSTRUCTION OF EUROPE. I AM SURE THAT THE COMMUNITY, OVERCOMING ATTITUDES DICTATED BY CONSIDERATIONS OF LESSER IMPORTANCE, WILL KNOW HOW TO MEET THIS HISTORIC CHALLENGE.

I TAKE THIS OPPORTUNITY, PRIME MINISTER, TO ASSURE YOU ONCE AGAIN OF MY HIGHEST ESTEEM.

FELIPE GONZALEZ MARQUEZ."

FCO PLEASE PASS SAVING ADDRESSEES.

GORDON LENNOX

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FROM MADRID 161800Z OCTOBER 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 510 OF 16 OCTOBER 84
INFO IMMEDIATE UKREP BRUSSELS, PARIS, DUBLIN, BONN, LISBON
INFO SAVING ALL OTHER EC POSTS

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AMENDED DISTRIBUTION

PERSONAL MESSAGE
SERIAL No. T174A/84

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FM MADRID 161800Z OCT 84
TO IMMEDIATE FCO

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17/10

TELEGRAM NUMBER 509 OF 16 OCTOBER
INFO IMMEDIATE UKREP BRUSSELS, PARIS, DUBLIN, BONN AND LISBON
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6. NOW SEE MIFT.

FCO PLEASE PASS SAVING EC POSTS

GORDON LENNOX

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FM UKREP BRUSSELS 041830Z OCT 84

TO IMMEDIATE F C O

TELEGRAM NUMBER 3164 OF 4 OCTOBER,

INFO PRIORITY PARIS

ROUTINE COPENHAGEN THE HAGUE ROME DUBLIN BONN ATHENS

LISBON MADRID

INFO SAVING BRUSSELS LUXEMBOURG.

*Summary only
cop**ms*ENLARGEMENT : THE PROSPECTS.

1. THIS WEEK'S FOREIGN AFFAIRS COUNCIL HAS LEFT THE COMMUNITY WELL BEHIND IN ITS ENLARGEMENT TIMETABLE, AND FACING AN INCREASING PROBLEM OF CREDIBILITY WITH SPAIN AND PORTUGAL. (A SENIOR COMMISSION OFFICIAL HAS COMMENTED TO US PRIVATELY THAT IN HIS VIEW IT WOULD NOT NOW BE POSSIBLE TO MEET THE 1 JANUARY 1986 DEADLINE.) IF WE CANNOT GET AHEAD SOON, THE GERMAN POSITION ON OWN RESOURCES WILL BEGIN TO MAKE THE IMPLEMENTATION OF THE WHOLE FONTAINEBLEAU PACKAGE PRECARIOUS IN THE TIME-SCALE REQUIRED.

IN THESE CIRCUMSTANCES WE NEED TO CONSIDER HOW BEST TO GENERATE IMPULSION IN THE COMMUNITY'S WORK: AND HOW TO BRING PRESSURE TO BEAR ON THOSE MEMBER STATES WHICH ARE BLOCKING KEY DOSSIERS.

PROCEDURE

2. OUR IMMEDIATE OBJECTIVE SHOULD BE TO COMPLETE WORK ON THE DUBLIN PACKAGE, PLUS WINE IF POSSIBLE, PLUS SPANISH AGRICULTURE (POSSIBLY EXCLUDED FROM THE PACKAGE AT FRENCH INSTIGATION) SO THAT DECLARATIONS CAN BE PUT TO SPAIN AND PORTUGAL IN OCTOBER. THIS MEANS BUILDING UP THE PRESSURE FOR AGREEMENT OVER THE NEXT TWO WEEKS AND GETTING THE PRESIDENCY TO RESERVE A WHOLE DAY AT THE COUNCIL PLUS THE EVENING SO THAT THERE IS ADEQUATE TIME TO DEAL WITH THESE ISSUES BEFORE THE MEETINGS WITH SPAIN AND PORTUGAL ON THE FOLLOWING DAY. DEPENDING ON THE AMOUNT OF OTHER BUSINESS BEFORE THE COUNCIL, IT MIGHT BE A GOOD IDEA TO INVITE THE SPANIARDS AND PORTUGUESE TO COME ON THE WEDNESDAY RATHER THAN THE TUESDAY.

THE ISSUES.

3. ON THE SUBSTANCE OF THE PACKAGE, THE MAJOR DIFFICULTIES COME FROM GREEK INSISTENCE ON AMENDMENTS TO THE PRESIDENCY'S TEXT ON OLIVE OIL: AND FRENCH OBSTRUCTIVENESS ON INDUSTRIAL TARIFF TRANSITION AND SPANISH AGRICULTURE.

4. THE NOW REDUCED GREEK DEMAND FOR THE DELETION OF 5 LINES IN THE PRESIDENCY'S OLIVE OIL TEXT DOES NOT CHANGE THE SUBSTANCE A GREAT DEAL. IN ONE RESPECT IT REPRESENTS AN IMPROVEMENT, SINCE IT DILUTES THE REFERENCE TO OILS AND FATS. THE GERMANS WERE UNABLE TO MOVE FROM THE PRESIDENCY PROPOSAL AND THEY ARE

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CLEARLY RIGHT TO FEAR THE SLIPPERY SLOPE. BUT DIMADIS (GREEK PR) INDICATED TO ME THAT ALL ENLARGEMENT ISSUES WERE NOW LINKED IN PAPANDREOU'S MIND WITH IMPS AND THAT PANGALOS HAD NO DISCRETION ON OLIVE OIL. THE REFERENCE IN THE PRESIDENCY TEXT TO A TIME LIMIT FOR INTRODUCTION OF A NEW REGIME SEEMS TO CAUSE THE GREEKS PARTICULAR DIFFICULTY. THE GERMANS INSIST ON RETAINING IT, THOUGH THE TIMING COULD PERHAPS BE INDIRECTLY COVERED BY THE ADDITIONAL PARAGRAPH DEALING WITH PRICE ALIGNMENT, PROVIDED THAT THIS TEXT IS NOT IN ANY WAY DILUTED: WE SHOULD ALSO NEED TO LOOK CAREFULLY AT BOTH PARTS OF THE TEXT TO ENSURE THAT ADEQUATE LINKAGE WITH REFORM OF THE REGIME WAS MAINTAINED. IN THESE CIRCUMSTANCES AND GIVEN THE DIFFICULTY OF GETTING AT PAPANDREOU, MIGHT THE BEST MEANS OF UNBLOCKING THE ISSUE NOT BE TO TRY TO GET THE GERMANS TO ACCEPT THE GREEK TEXT IN THE CONTEXT OF AN OVERALL PACKAGE ?

5. THE FRENCH TOO SEEMED TOTALLY INFLEXIBLE ON AGRICULTURE, THOUGH THEIR OFFICIALS DID ASSURE ME THAT THEY WERE READY TO SOLVE THE HIGH TARIFF PROBLEM BY DUTY QUOTAS ON CARS. WE MUST TEST THIS BY TRYING TO MAKE RAPID PROGRESS IN THE GROUP. WHILE A LITTLE FLEXIBILITY SEEMED TO BE EMERGING IN THE FRENCH POSITION ON FISHERIES IN BILATERAL CONTACTS, THIS WAS NOT BORNE OUT BY BAYLET IN THE COUNCIL YESTERDAY.

6. AS REGARDS THE SURVEILLANCE MECHANISM FOR FRUIT AND VEGETABLES, IT APPEARS THAT ONLY THE DUTCH HAVE A COMPLETELY FIRM POSITION ON THIS ISSUE. OUR OWN INTEREST IS TO SEE THAT IF THE FRENCH DO GET THEIR WAY, RESTRICTIONS ON SPANISH EXPORTS IN THIS SECTOR ARE NOT BALANCED BY SPANISH RESTRICTIONS ON BEEF, PORK, CEREALS AND MILK PRODUCTS WHERE WE MAY HAVE SOMETHING TO GAIN BOTH THROUGH EXPORTS AND IN BUDGETARY TERMS AS SPANISH CONSUMPTION REDUCES SURPLUSES. SHOULD WE TRY TO EXPLORE THE POSSIBILITY OF A DEAL WITH THE FRENCH ? IT WOULD HAVE TO COVER THE QUESTION OF TARIFFS AS WELL AS AGRICULTURE SINCE THE FRENCH CLEARLY HOPE TO EMERGE VICTORIOUS ON AGRICULTURE WHILE MAKING US CONCEDE ON INDUSTRY.

7. I AM NOT SURE THAT THIS FRENCH GOVERNMENT IS CAPABLE, EVEN IF IT WERE WILLING, TO REACH AN UNDERSTANDING WITH US.

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THEY SEEMED DIVIDED ON SO MANY ISSUES: AND ARE CLEARLY ALL BUSILY PLOTTING END-GAMES IN WHICH EVERYONE PAYS BUT FRANCE. BUT IT MAY WELL IMPROVE OUR TACTICAL POSITION TO TRY. IF WE WERE TO DO SO, I THINK WE SHOULD NEED TO START WITH AN EARLY MESSAGE FROM THE PRIME MINISTER TO MITTERRAND.

8. I HOPE TO DISCUSS ALL THIS AT WILLIAMSON'S MEETING TOMORROW.

FCO ADVANCE TO:-

FCO - RENWICK, CROWE, EVANS ECD(E).

CAB - MISS LAMBERT, WILLIAMSON.

DTI - MISS LACKEY, BROTHERTON ECIP, R.WILLIAMS.

MAFF- MELVILLE, ROBERTS (SUGAR OILS+FATS), ANDREWS, MASON,
GRIFFITHS, HADDON.

TSY - BOSTOCK.

FCO PASS SAVING TO: LUXEMBOURG.

BUTLER

(ADVANCED AS REQUESTED)
(REPEATED AS REQUESTED)

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COPIES TO:

ADVANCE ADDRESSEES



JU206

PS/Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

26 September 1984

C R Budd Esq
Private Secretary to the
Secretary of State for Foreign &
Commonwealth Affairs
Foreign Office
SW1

NBPM
@DP
26/9

Dear Colin,

SPANISH ACCESSION: TARIFF TRANSITION

Thank you for your letter of 25 September, and the redraft of the message my Secretary of State wanted to send Madame Cresson about Spanish accession to the EC. My Secretary of State is content with the amended draft you sent (subject to the typing error in line 7 of paragraph 2, where "confirming" should read "confining") and I would therefore be most grateful if you could arrange for the message to be sent to Madame Cresson through the Embassy in Paris as soon as possible.

2 I am sending copies of this letter to the Private Secretaries of the Prime Minister and Sir Robert Armstrong.

Yours sincerely,

RUTH THOMPSON
Private Secretary

Caro PD PT 2

Enlargement



236 SEP 1984



Foreign and Commonwealth Office

London SW1A 2AH

25 September 1985

NB 17
AM 25/9.

Dear Ruth,

Spanish Accession: Tariff Transition

Thank you for your letter of 20 September, with which you enclosed a draft message from your Secretary of State to Mme Cresson.

In the Foreign Secretary's absence in New York and Mr Rifkind's in Africa we are I fear unable to send you a reply at Ministerial level before the end of the day. As we agreed, I am therefore writing without Ministerial backing, to promote speedy resolution of this minor difference between our Departments. I should note however that Mr Rifkind will be back in the office early tomorrow, when we shall show him these papers.

We agree that the Commission and Spain are unlikely to make much headway until the French move into line on the Commission's proposals; also that a message should be sent, and that it would be helpful to instruct the Embassy in Paris to indicate some flexibility on Portuguese quotas in the way suggested in paragraph 3 of your letter.

We suspect, however, that following last week's discussion in Brussels the French may already be reconsidering their position; and believe that a persuasive rather than attacking line is more likely to bring the French along. We would therefore see advantage in slightly recasting the letter to Madame Cresson, on the lines of the enclosed draft.

I am sending copies of this letter to the recipients of yours.

Yours sincerely,
Colin Budd

(C R Budd)
Private Secretary

Ruth Thompson
PS/Mr Tebbit
Department of Trade and
Industry
1-19 Victoria Street
London SW1H 0ET

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Copies to:

PRIVACY MARKING

SUBJECT: DRAFT MESSAGE FROM SECRETARY OF STATE FOR TRADE AND INDUSTRY TO MME CRESSON, FRENCH MINISTER FOR INDUSTRY

.....In Confidence

CAVEAT.....

You will recall that at the June Foreign Affairs Council the European Community formally communicated to Spain the need for a solution to the problem of high tariffs 'by means of appropriate ways of accelerated dismantling' (CONF-E/41/84 of 25 June). I was therefore worried to learn from the reports of the Foreign Affairs Council on 17 September of continuing French reservations regarding detailed proposals to be put to Spain for early and substantial cuts in her high tariffs.

I fully concur with the point M. Dumas made at the Council regarding the importance of protecting the interests of both sides in the negotiations. By offering a general transition period for dismantling import duties over six years (and most Member States have already expressed willingness to move to seven years) and by confirming accelerated dismantlement to those high tariffs on products where Spanish export performance is good, the Community is showing considerable regard

Enclosures—flag(s).....

for interests of the Spanish economy. This is after a long period in which Spanish production has enjoyed high and unreciprocated benefits in sectors, notably cars, in which Spain has become internationally highly competitive and successful in Community markets. The time is overdue for the interests of manufacturers and their workforce in the Community to be met. This means obtaining at an early stage effective access to the Spanish market including special provision to deal with high tariffs.

I recognise that there are private investments by French car manufacturers in Spain as well as in Portugal. But I do not think it would be right for this reason to delay the earliest possible introduction of competition from manufacturers in the Community in the enlarged Common Market. It must be for the Spanish Government to represent the interests of Spanish domestic manufacturers, whatever their ownership. In turn workers in the existing Community have the right to expect that the Community will properly protect their interests. As you probably know, the British Government is under growing Parliamentary criticism from voters, particularly in the West Midlands, who believe reasonably enough that a redress for these anachronistic trading conditions between Spain and Member States of our Community is long overdue. I could not defend an outcome to negotiations for an enlarged Common Market which failed to meet these anxieties. Even the Spaniards themselves recognise the need for moves on high car tariffs.

I hope therefore that when the Commission reports to the Council on its exploratory talks with Spain on 1/2 October,

/ your

your Government will be able to join those of other Member States in supporting a negotiating position which represents the interests of the Community and its work force as a whole.

25 SEP 1984

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DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

JU119

S/ Secretary of State for Trade and Industry

20 September 1984

RESTRICTED

Len Appleyard Esq
Private Secretary to the
Secretary of State for Foreign
& Commonwealth Affairs
Foreign & Commonwealth Office
Downing Street SW1

*Await FCS
Reply
can.*

Dear Len,

SPANISH ACCESSION: TARIFF TRANSITION

My Secretary of State has noted that in the face of French opposition to a clear Community declaration on high tariffs the Foreign Secretary was nonetheless able to secure agreement to exploratory talks between the Commission and Spain.

2 He fears, however, that such talks will prove of little value if the French let the Spaniards know of their opposition to the Commission's proposals. He believes that we should not delay in urging a more flexible position on French Ministers before they become irretrievably committed. Accordingly he proposes to send the enclosed message to Madame Cresson, the French Minister for Industry, to bring home to her that their position cannot be defended.

3 He recognises that persuasion may be an easier task if we hint at accommodation elsewhere (e.g. on Portugal). He suggests that in delivering his message the opportunity might be taken to do this. It could be pointed out that in logic we are equally entitled to see an end to Portuguese quotas protecting her car industry, but that political pressure on this front has not built up to anything like the same extent as on Spain. This means that if France can give us positive support on high Spanish import duties, including those on cars, we can in turn be more flexible regarding her wish to protect Renault's other interests in Portugal.



4 If asked about the possibility of a mechanism for dealing with high import duties on cars by reduced duty quotas we could follow the line in the Foreign Affairs Council brief.

5 I am sending copies of this letter to the Private Secretaries of the Prime Minister and Sir Robert Armstrong.

Yours etc.

A. Churchill

PP RUTH THOMPSON
Private Secretary

File No.**DRAFT**

Addressed to :

DRAFT MESSAGE FROM SOS (TRADE AND INDUSTRY)
 TO MME CRESSON, FRENCH MINISTER FOR
 INDUSTRY

Copies to :

 Originated by:
(Initials and date)

 Seen by:
(Initials and date)

Enclosures :

Type for signature of

(Initials and date)
DEPARTMENT OF TRADE AND INDUSTRY

I was puzzled and disturbed to learn from the reports of the Foreign Affairs Council on 17 September of continuing French reservations regarding detailed proposals to be put to Spain for early and substantial cuts in her high tariffs.

I fully concur with the point M Dumas made at the Council regarding the importance of protecting the interests of both sides in the negotiations. By offering a general transition period for dismantling import duties over six years (and most Member States have already expressed willingness to move to seven years) and by confining accelerated dismantlement to those high tariffs on products where Spanish export performance is good, the Community is showing considerable regard for the interests of the Spanish economy. This is after a long period in which her production has enjoyed high and unreciprocated benefits in Community markets. The time has come when the interests of Community manufacturers and their workforce also need to be met. This means obtaining at an early stage effective access to the Spanish market including

(CONTINUE TYPING HERE)

File No.

special provision to deal with her high tariffs.

I am particularly concerned that if we fail to make such provision in certain sectors the principal beneficiaries will be the subsidiaries of Community enterprises in Spain-which I must point out includes Renault. As you probably know the British government is under growing parliamentary criticism from voters, particularly in the West Midlands workforce, that a redress in the anachronistic trading conditions between output in Spain and in Member States is long overdue. I could not defend an outcome to negotiations for an enlarged common market which failed to meet this preoccupation because certain Member States had delayed accepting fresh Community competition for their enterprises whenever these might be located in that enlarged market.

I trust therefore that when the Commission reports to the Council on its exploratory talks with Spain on 1/2 October, France will be able to join all other Member States in supporting a realistic negotiating position on this problem.

Subject
cc Master.

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FILE

(RAMADL)

cc: P.C

10 DOWNING STREET

From the Private Secretary

14 September, 1984

ENLARGEMENT OF THE EUROPEAN COMMUNITY

The Prime Minister held a meeting yesterday with the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade and Industry, the Minister of Agriculture, Fisheries and Food, the Minister of State, (FCO), the Economic Secretary, Treasury and the Minister for Trade. Sir Robert Armstrong, Sir Michael Butler and Mr. David Williamson were also present.

The Prime Minister said that political and defence arguments had led to the strategic decision to support the accession of Spain and Portugal. There was also advantage in the fact that an enlarged Community would be a looser-knit Community. There were, however, economic problems and specific questions still at issue in the enlargement negotiations, on which the United Kingdom must defend its interests firmly. She had in mind in particular, the arrangements for dismantling Spanish industrial tariffs.

The Foreign and Commonwealth Secretary said that he had set out the main issues in his minute of 10 September covering a Note by Officials on each of the principal outstanding points in the negotiations with Spain and Portugal. We had now to recognise that a failure of the enlargement negotiations would have serious political effects both within the existing Community and in Spain and Portugal. Links had also been made by some member states, in particular Germany, between enlargement and the budgetary settlement. The target date of 30 September 1984 for the completion of the negotiations was not now realistic but the proposed date of 1 January 1986 for the date of Accession might still be attainable. In the Foreign Affairs Council on 17-18 September the Presidency would be presenting a document covering all the major outstanding problems in determining the Community's position for these negotiations (there would be a separate proposal on Spanish fishing). He recommended that the United Kingdom should base its approach

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30/10/84

on the main United Kingdom objectives set out in paragraph 8 of his minute of 10 September and on the more detailed recommendations the Note by Officials.

The Chancellor of the Exchequer said that he supported the objectives set out in the Foreign and Commonwealth Secretary's minute of 10 September but he attached particular importance to obtaining a commitment to some restraint in the olive oil sector before the Spanish began their price transition. The United Kingdom had been arguing strongly against the budgetary cost of the agricultural support regimes. It was right to take the line that the olive oil regime should be reformed either before or within two years of Accession and that there should be no price transition until this had been achieved. The Minister of Agriculture, Fisheries and Food said that there would clearly be a serious surplus of olive oil if measures were not taken now and he strongly supported the objectives on olive oil and wine. In addition, he saw no reason why we should abandon the designation "British sherry" which had been used for over 100 years. The Secretary of State for Trade and Industry said that he strongly supported the Prime Minister's view that our major priority should be effective accelerated dismantling of the high Spanish tariffs both on cars and on a number of other important industrial products. Although it could be argued that this was a transitional problem, very real damage would be done to British industry in the interim if our objective were not achieved. In addition, we had to ensure that there was early restructuring of the Spanish steel industry and no unfair competition; the problems of the British Steel Corporation were serious enough without such additional difficulties.

In discussion of the industrial issues it was pointed out that the French had declared their opposition to the Commission's proposals on the accelerated dismantling of the high Spanish tariffs. The French were seeking to protect investments of French companies, particularly Renault, in Spain and Portugal. The United Kingdom's interest, however, clearly lay in achieving a successful dismantling of the high Spanish tariffs and this must remain a priority objective. In addition to the real industrial interest, there was strong public and parliamentary pressure to achieve a fairer regime for cars between the United Kingdom and Spain and the enlargement negotiations provided the opportunity for this. On Spanish steel it was recognised that the Commission's proposals did provide a basis for achieving our objectives and they should be supported.

On Spanish fish it was necessary to ensure that the large Spanish fishing fleet did not have the freedom to make inroads into fish stocks of importance to United Kingdom fishermen. The latest Commission proposal for a two-tier

system of licensing might provide the basis for a satisfactory settlement, although Spain would certainly object to it. So far we had a common front with other member states with important fishing interests.

On agricultural issues it was pointed out that the United Kingdom was supporting the French initiative to obtain better production controls on wine before the enlargement negotiations were concluded. The United Kingdom was in the lead in seeking similar commitments on olive oil but the majority of member states had rallied to our position. The Italians and Greeks were resolutely opposed to any specific commitment. On the designation "British sherry" it was suggested that, although we should maintain our position as recommended by officials at the present time, it might be possible finally to settle the issue through a very long transition period. We should not move to this position, however, without further consideration between the Ministers principally concerned. On the protection of sugar supplies for Tate and Lyle and the arrangements for Portuguese imports, the conclusion in paragraph 17 of the Note by Officials was accepted. The Minister of Agriculture, Fisheries and Food said that it would also be necessary to decide the base year for milk production quotas in Spain and Portugal; in his view it should be the same base year as for the existing Community.

Amendments of the Community's institutional arrangements necessary on the enlargement to include Spain and Portugal had been largely agreed. It was apparent that, although a European Commission of 17 members was not likely to be efficient, it would not be possible to achieve a reduction to a smaller figure immediately on Accession. The United Kingdom should, however, continue to plug away at this point in the new ad hoc Committee on Institutions.

In discussion of the Community's global policy towards other Mediterranean countries such as Israel, Cyprus and the North African countries it was recognised that enlargement could present new problems for their trade. The United Kingdom would be directly affected if they replaced current trade into the Community by trade to Eastern bloc countries which might be on barter terms. This would reduce the markets for British exports to Mediterranean countries. It was clear, however, that the Commission was seeking ways to maintain the flow of exports of certain sensitive agricultural products from Mediterranean countries into the Community after enlargement.

The Chancellor of the Exchequer drew attention to the possibility that in the course of further negotiations some member states might try to find ways of avoiding the arrangement favourable for the United Kingdom which had been

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-4-

negotiated at Fontainebleau, namely that the 66 per cent abatement would apply to the costs of enlargement. If some arrangements were needed to avoid a situation in which Spain and Portugal were net contributors to the Community budget in the transitional period, it would be best to follow the mechanism used on Greek Accession. This would not call into question the Fontainebleau agreement.

On Gibraltar, the Foreign and Commonwealth Secretary said that it was envisaged that restrictions at the frontier would be withdrawn on completion of the negotiations but before Accession. He had minuted his colleagues in the Committee on Defence and Oversea Policy separately on the various Community aspects of the Gibraltar question.

The Prime Minister, summing up the discussion said that there was no reason to go back on any of the objectives identified by the Foreign and Commonwealth Secretary in paragraph 8 of his minute 10 September. There were real United Kingdom interests at stake. Subject to the points made in the discussion, the specific objectives in the Note by Officials were endorsed. It was apparent that the accelerated dismantling of the high Spanish tariffs was a prime objective for the United Kingdom. The maximum progress on this and the other objectives should be sought in the Foreign Affairs Council on 17-18 September.

I am copying this letter to David Peretz and Adrian Ellis (HM Treasury), Callum McCarthy and Steve Nicklen (Department of Trade and Industry), Anthony Cary (Foreign and Commonwealth Office) Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food), and to Richard Hatfield (Cabinet Office).

(C.D. Powell)

C. Budd, Esq.,
Foreign and Commonwealth Office

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RAMADL



COVERING CONFIDENTIAL

Qz.03885

MR POWELL

LANADL

ENLARGEMENT OF THE EUROPEAN COMMUNITY

I attach a draft note of
yesterday's meeting.

Df Williamson

D F WILLIAMSON

14 September 1984

COVERING CONFIDENTIAL

Draft letter from Mr Powell, No 10 Downing Street to Mr Budd, FCO

ENLARGEMENT OF THE EUROPEAN COMMUNITY

The Prime Minister held a meeting yesterday with the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade and Industry, the Minister of Agriculture, Fisheries and Food, the Minister of State, Foreign and Commonwealth Office (Mr Rifkind), the Economic Secretary, Treasury and the Minister for Trade. Sir Robert Armstrong, Sir Michael Butler and Mr D F Williamson were also present.

2. The Prime Minister said that political and defence arguments ^{There was also advantage in the} and the fact that an enlarged Community would be a looser-knit Community had led to the strategic decision to support the accession of Spain and Portugal.

There were, however, economic problems and specific questions still at issue in the enlargement negotiations, on which the United Kingdom must defend its interests firmly. She ^{was thinking had in mind} had in mind, in particular, the arrangements for dismantling Spanish industrial tariffs.

3. The Foreign and Commonwealth Secretary said that he had set out the main issues in his minute of 10 September covering a Note by Officials on each of the principal outstanding points in the negotiations with Spain and Portugal. We had now to recognise that a failure of the enlargement negotiations would have serious political

It should be borne in mind that the single most important factor for the United Kingdom was the issue of the ~~subject~~ ^{as well as possible implementation of the Fontainebleau agreement.}

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effects both within the existing Community and in Spain and Portugal. Links had also been made by some member states, in particular Germany, between enlargement and the budgetary settlement. The target date of 30 September 1984 for the completion of the negotiations was not now realistic but the proposed date of 1 January 1985 for the date of Accession might still be attainable. In the Foreign Affairs Council on 17-18 September the Presidency would be presenting a document covering all the major outstanding problems in determining the Community's position for these negotiations (there would be a separate proposal on Spanish fishing). He recommended that the United Kingdom should base its approach on the main United Kingdom objectives set out in paragraph 8 of his minute of 10 September and on the more detailed recommendations in the Note by Officials.

4. The Chancellor of the Exchequer said that he supported the objectives set out in the Foreign and Commonwealth Secretary's minute of 10 September but he attached particular importance to obtaining a commitment to some restraint in the olive oil sector before the Spanish began their price transition. The United Kingdom had been arguing strongly against the budgetary cost of the agricultural support regimes. It was right to take the line that the olive oil regime should be reformed either before or within 2 years of Accession and that

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there should be no price transition until this had been achieved. The Minister of Agriculture, Fisheries and Food said that there would clearly be a serious surplus of olive oil if measures were not taken now and he strongly supported the objectives on olive oil and wine. In addition, he saw no reason why we should abandon the designation "British sherry" which had been used for over 100 years. The Secretary of State for Trade and Industry said that he strongly supported the Prime Minister's view that our major priority should be effective accelerated dismantling of the high Spanish tariffs both on cars and on a number of other important industrial products. Although it could be argued that this was a transitional problem, very real damage would be done to British industry in the interim if our objective were not achieved. In addition, we had to ensure that there was early restructuring of the Spanish steel industry and no unfair competition; the problems of the British Steel Corporation were serious enough without such additional difficulties.

5. In discussion of the industrial issues it was pointed out that the French had declared their opposition to the Commission's proposals on the accelerated dismantling of the high Spanish tariffs. The French were seeking to protect investments of French companies, particularly Renault, in Spain and Portugal. The United Kingdom's interest, however, clearly lay in achieving a successful

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dismantling of the high Spanish tariffs and this must remain a priority objective. In addition to the real industrial interest, there was strong public and parliamentary pressure to achieve a fairer regime for cars between the United Kingdom and Spain and the enlargement negotiations provided the opportunity for this. On Spanish steel it was recognised that the Commission's proposals did provide a basis for achieving our objectives and they should be supported.

6. On Spanish fish it was necessary to ensure that the large Spanish fishing fleet did not have the freedom to make inroads into fish stocks of importance to United Kingdom fishermen. The latest Commission proposal for a two-tier system of licensing might provide the basis for a satisfactory settlement, although Spain would certainly object to it. So far we had a common front with other member states with important fishing interests.

7. On agricultural issues it was pointed out that the United Kingdom was supporting the French initiative to obtain better production controls before the enlargement negotiations were concluded. The United Kingdom was in the lead in seeking similar commitments on olive oil but the majority of member states had rallied to our position. The Italians and Greeks were resolutely opposed to any specific commitment. On the designation "British sherry" it was suggested that, although we should maintain our

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position as recommended by officials at the present time, it might be possible finally to settle the issue through a very long transition period. We should not move to this position, however, without further consideration between the Ministers principally concerned. On the protection of sugar supplies for Tate and Lyle and the arrangements for Portuguese imports, the conclusion in paragraph 17 of the Note by Officials was accepted. The Minister of Agriculture, Fisheries and Food said that it would also be necessary to decide the base year for milk production quotas in Spain and Portugal; in his view it should be the same base year as for the existing Community.

8. Amendments of the Community's institutional arrangements necessary on the enlargement to include Spain and Portugal had been largely agreed. It was apparent that, although a European Commission of 17 members was not likely to be efficient, it would not be possible to achieve a reduction to a smaller figure immediately on Accession. The United Kingdom should, however, continue to plug away at this point in the new ad hoc Committee on Institutions.

9. In discussion of the Community's global policy towards other Mediterranean countries such as Israel, Cyprus and the North African countries it was recognised that enlargement could present new problems for their trade. The United Kingdom would be directly affected if they replaced their current trade

into the Community by trade to Eastern bloc countries which might be on barter terms. This would reduce the markets for British exports to Mediterranean countries. It was clear, however, that the Commission was seeking ways to maintain the flow of exports of certain sensitive agricultural products from Mediterranean countries into the Community after enlargement.

10. The Chancellor of the Exchequer drew attention to the possibility that in the course of further negotiations some member states might try to find ways of avoiding the arrangement favourable for the United Kingdom which had been negotiated at Fontainebleau, namely that the 66 per cent abatement would apply to the costs of enlargement. If some arrangements were needed to avoid a situation in which Spain and Portugal were net contributors to the Community budget in the transitional period, it would be best to follow the mechanism used on Greek Accession. This would not call into question the Fontainebleau agreement.

11. On Gibraltar, the Foreign and Commonwealth Secretary said that it was envisaged that restrictions at the frontier would be withdrawn on completion of the negotiations but before Accession. He had minuted his colleagues in the Committee on Defence and Oversea Policy separately on the various Community aspects of the Gibraltar question.

/12.

12. The Prime Minister, summing up the discussion, said that there was no reason to go back on any of the objectives identified by the Foreign and Commonwealth Secretary in paragraph 8 of his minute of 10 September. There were real United Kingdom interests at stake. Subject to the points made in the discussion, the specific objectives in the Note by Officials were endorsed. It was apparent that the accelerated dismantling of the high Spanish tariffs was a prime objective for the United Kingdom. The maximum progress on this and the other objectives should be sought in the Foreign Affairs Council on 17-18 September.

Ch.
13. I am copying this letter to
the Private Secretary to ~~the~~ ~~Chairman~~
[those attending the meeting] except Butler
with him].
Ch.



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Prime Minister
CDP
12/9.

Qz.03877

PRIME MINISTER

ENLARGEMENT

You are holding a meeting after Cabinet on 13 September to discuss the enlargement of the Community to include Spain and Portugal and the present state of the negotiations. The Ministers who will attend the meeting are -

The Lord President of the Council

The Secretary of State for Foreign and Commonwealth Affairs

The Chancellor of the Exchequer

The Secretary of State for Trade and Industry

The Minister of Agriculture, Fisheries and Food

The Minister of State, Foreign and Commonwealth
Office (Mr Rifkind)

The Minister for Trade + Economic Secretary.
Sir Michael Butler will also be present.

A
C
2. The Foreign and Commonwealth Secretary's minute of 10 September encloses a paper by officials setting out the main issues still to be resolved in the accession negotiations. The letter of 6 September from the Secretary of State for Trade and Industry to the Secretary of State for Foreign and Commonwealth Affairs is also relevant.

3. You may wish, first, to invite the Foreign and Commonwealth Secretary to comment on the political factors outlined in his minute of 10 September.

4. Secondly, you may wish to invite the meeting to consider the main issues still for decision in the accession negotiations. Paragraph 8 of the Foreign and Commonwealth Secretary's minute

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proposes United Kingdom objectives on the principal issues still in dispute (possible conclusions on the most important of these are set out in my minute of 7 September to Mr Powell).

5. The Secretary of State for Trade and Industry will wish to emphasise his view, expressed in his letter of 6 September, that a satisfactory deal on tariffs and related industrial issues is paramount and that we should, if necessary, be prepared to negotiate trade-offs in other areas. It is clear that we shall have some tough bargaining over tariffs. The French are opposing the reasonable proposals for accelerated cuts in Spanish tariffs which the Commission has at last put forward. The French interest is opposed to ours because they have a good share of the extensive industrial investment made in Spain in recent years: hence, they want to maintain protection of the Spanish market!

6. The Secretary of State for Trade will also wish to comment on the need to limit aids to the Spanish steel industry and to ensure that, so long as unjustified aids are paid, it does not have the full benefit of the Community market.

7. The Minister for Agriculture, Fisheries and Food will argue in favour of a package on fish which includes some Community aid. The Chancellor of the Exchequer has not yet agreed to this in principle, but may be persuaded of the need for some aid to ensure that the Spanish fleet is reduced, given the threat that the Spanish fishing industry represents to British fishermen and to the common fisheries policy.

8. Various agriculture and food questions are covered in the paper by officials, including sugar (need to avoid diversion of Tate and Lyle's raw material to Portugal), British sherry (need to protect the name) and olive oil (need to get some further control, eg a guarantee threshold, into place before Spanish accession or at least before substantive transition begins). The sugar issue may be resolved at working level; on British sherry it may be possible in the end to settle for a very long derogation (the production of the British product is not affected, only its

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designation); and on olive oil we must get the best possible commitments on restraint, in view of the potentially large expenditure involved not only because of rising production (which for natural reasons takes some time) but also because of falling consumption in Spain.

9. The United Kingdom's policy on voting arrangements and Gibraltar is clear and must be maintained.

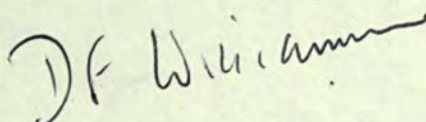
10. The question of trade-offs between industrial trade and other issues is bound to arise at the end of the discussion. Although we do not underrate the importance of the agricultural issues, the United Kingdom will have a considerable measure of protection as a result of the Fontainebleau agreement. There is, therefore, some force in the Secretary of State for Trade and Industry's point on priorities. For the moment, however, it is not clear what form the trade-offs might take and it is probably premature to attempt to decide what sort of total package might be acceptable to the United Kingdom. A further meeting of Ministers will have to decide this in the near-final stage of the negotiations.

11. You may be able to conclude -

(i) that the broad objectives in paragraph 8 of the Foreign and Commonwealth Secretary's minute of 10 September are endorsed;

(ii) that it is necessary now to give particular attention to a satisfactory deal on industrial tariffs and on the avoidance of unfair competition in the steel industry.

12. I am sending a copy to Sir Robert Armstrong.



D F WILLIAMSON

12 September 1984

GRS 1200

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FM DUBLIN 111850Z SEPT 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 470 OF 11 SEPTEMBER

INFO IMMEDIATE UKREP BRUSSELS

ROUTINE ATHENS BONN BRUSSELS COPENHAGEN THE HAGUE LUXEMBOURG

PARIS ROME LISBON MADRID

FRAME EXTERNAL

INFORMAL MEETING OF FOREIGN MINISTERS ON ENLARGEMENT IN

DUBLIN : 11 SEPTEMBER

SUMMARY

1. NO PROGRESS ON SUBSTANCE , BUT PROCEDURAL PROGRESS, A REVISED BUT INADEQUATE PRESIDENCY COMMISSION COMPROMISE ON OLIVE OIL FOR LATER DISCUSSION AND AGREEMENT THAT THE PRESIDENCY WITH THE COMMISSION SHOULD PRODUCE A GLOBAL DOCUMENT SETTING OUT ALL (SIC) CURRENT ISSUES (EXCEPT WINE, CANARIES AND SPANISH FISH) WITH A VIEW TO A SUPER-RESTRICTED MINISTERIAL SESSION AT 17 SEPTEMBER FAC WHICH WOULD BE ABLE TO NEGOTIATE CONCLUSIONS FOR PRESENTATION TO THE APPLICANTS. WINE TO BE TACKLED BY AGRICULTURE MINISTERS ON 18 AND 27 SEPTEMBER AND PRESENTED TO FOREIGN MINISTERS FOR 1 OCTOBER FAC. SPANISH FISH TO BE TACKLED AS SOON AS COMMISSION PROPOSALS RECEIVED BY COUNCIL AT THE END OF THIS WEEK OR EARLY NEXT.

DETAIL

2. THE WHOLE MORNING OF WHAT SHOULD HAVE BEEN THE POCO MINISTERIAL MEETING WAS DEVOTED TO AN INFORMAL MEETING OF FOREIGN MINISTERS (WITHOUT ADVISERS) ON ENLARGEMENT TO PICK UP THE PIECES FROM THE UNSUCCESSFUL COUNCIL ON 3 SEPTEMBER. YOU REPRESENTED UK. CHEYSSON AND DUMAS WERE BOTH THERE FOR FRANCE AS WELL AS FOREIGN MINISTERS OF OTHER STATES AND THORN AND NATALI FOR THE COMMISSION.

3. AFTER AN INTRODUCTION IN WHICH BARRY (IRISH PRESIDENCY) URGED FLEXIBILITY AND LAID THE BLAME FOR THE STANDSTILL IN THE ACCESSION NEGOTIATIONS AT THE DOOR OF THE COMMUNITY OVER WINE, OLIVE OIL, SUGAR, CITRUS, INDUSTRIAL TARIFFS, SOCIAL AFFAIRS AND FISH, THE DISCUSSION TURNED IMMEDIATELY TO OLIVE OIL. THIS TOOK UP MOST OF THE MORNING AND SETTLED DOWN RAPIDLY INTO ITALY AND GREECE VERSUS THE REST, WITH THE PRESIDENCY AND THE COMMISSION (NATALI) TRYING TO FIND MIDDLE GROUND. YOU AND GENSCHER INSISTED THAT THE MARCH AGRICULTURE MINISTERS AGREEMENT ON THE INTRODUCTION OF GUARANTEE THRESHOLDS FOR PRODUCTS IN OR THREATENING SURPLUSES MUST BE IN PLACE BEFORE ENLARGEMENT. YOU WERE SUPPORTED BY FRANCE AND OTHERS, ALTHOUGH THERE WAS SOME TENDENCY TO ARGUE THAT THE ENLARGEMENT NEGOTIATIONS SHOULD PROCEED ON THE ONE HAND WHILE ON THE OTHER THE COMMUNITY IN PARALLEL AGREED ON THE IMPLEMENTATION OF GUARANTEE THRESHOLDS. THE ITALIANS (ANDREOTTI) DUG IN ON THEIR /STANDARD

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STANDARD POSITION THAT THERE WAS NO NEED FOR NEW MEASURES , LET ALONE GUARANTEE THRESHOLDS NOW, SINCE THERE WAS A LIMIT ON TREES IN ITALY AND GREECE AND WOULD BE IN SPAIN. NATALI ARGUED FOR THE COMMISSION'S FIVE YEAR STANDSTILL PROPOSAL WITH ANY CHANGES IN THE REGIME TO BE NEGOTIATED AFTER EXPERIENCE HE ALLOWED THAT GUARANTEE THRESHOLDS WAS ONE POSSIBILITY. DUMAS ARGUED STRONGLY THAT THIS WAS ALTOGETHER TOO VAGUE AND CALLED FOR A NEW PROPOSAL FROM THE COMMISSION. NATALI OFFERED A PROPOSAL WHICH WAS, HOWEVER, GENERALLY FOUND TO BE INCOMPREHENSIBLE. IT WAS AGREED THAT THE PRESIDENCY AND COMMISSION CIRCULATE A DRAFT AFTER LUNCH FOR SUBSEQUENT DISCUSSION IN BRUSSELS. YOU FULLY RESERVED THE BRITISH POSITION. THE DRAFT WHICH EVENTUALLY EMERGED (TEXT IN MIFT) TURNED OUT TO BE NO MORE THAN A REHASH OF OTHER RECENT PRESIDENCY COMPROMISE PROPOSALS WHICH A NUMBER OF DELEGATIONS HAVE ALREADY REJECTED . TEXT IN MIFT.

=4. THE SPANISH REQUEST FOR CONCESSIONS ON CITRUS WAS BROACHED BUT NOT DISCUSSED AND LEFT OVER FOR ANOTHER TIME. THE DISCUSSION TURNED TO PORTUGUESE SUGAR. NATALI REAFFIRMED THE NEED FOR AN INCREASE IN THE ACP QUOTA OF 75,000 TONS. FRANCE REJECTED THIS BUT RECOGNISED THE NEED TO TAKE ACCOUNT OF BRITISH CONCERNS. THEY PROPOSED ARRANGEMENTS UNDER WHICH PORTUGALS EXISTING LONG TERM CONTRACTS WOULD BE RESPECTED AT WORLD PRICES FOR A PERIOD OF YEARS, WITH TRANSITIONAL ARRANGEMENTS UNDER WHICH THE PRICE WOULD BE GRADUALLY INCREASED. SEE SEPARATE TELS FOR DETAILS. BARRY (IRISH PRESIDENCY) SUGGESTED THAT THIS WOULD ENCOURAGE THE PORTUGUESE TO CONVERT THEIR REFINERIES TO BEET (AFTERWARDS ERSBOELL - COUNCIL SECRETARIAT - TOLD US THAT THERE HAD BEEN SOME UNDERSTANDING THAT COMMUNITY FINANCE WOULD BE AVAILABLE TO HELP CONVERSION). YOU EMPHASISED THE IMPORTANCE OF SAFEGUARDING THE NEEDS OF PRESENT EC CANE REFINERS.

5. BARRY THEN TURNED TO THE PORTUGUESE REQUEST FOR A CONSTAT D' ACCORD. FITZGERALD WOULD BE GOING TO LISBON SOON. WHAT SHOULD HE SAY? DUMAS WAS SYMPATHETIC TO THE PORTUGUESE. SOME DISTINCTION COULD REASONABLY BE MADE BETWEEN THE PORTUGUESE AND SPANISH ACCESSION NEGOTIATIONS AND HE WAS IN FAVOUR OF A DECLARATION WHICH COULD STIMULATE SPAIN TO MAKE PROGRESS. THE COMMUNITY SHOULD THEREFORE SETTLE FISHERIES WITH PORTUGAL (WITHOUT PREJUDICE TO SPAIN) AS WELL AS OUTSTANDING POINTS IN SOCIAL AFFAIRS AND SUGAR. NATALI DREW ATTENTION TO THE FACT THAT OWN RESOURCES AND PORTUGUESE/SPANISH RELATIONS STILL REMAINED TOTALLY UNADDRESSED. FISH NEEDED POLITICAL DECISIONS WITHIN THE COMMUNITY. HE DIFFERENTIATED BETWEEN ACCESS TO RESOURCES AND SARDINES. THE PROBLEMS WITH SPAIN WERE MORE DIFFICULT THAN FOR PORTUGAL. HE WAS CONCERNED ABOUT CONCESSIONS ON FISH THAT WOULD HAVE TO BE MADE TO SPAIN IF THEY HAD BEEN MADE FIRST TO PORTUGAL.

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6. PANGALOS (GREECE) WONDERED WHETHER A PORTUGUESE CONSTAT D'ACCORD WOULD HAVE A DYNAMIC OR RETARDING EFFECT ON SPAIN. YOU FAVOURED A NON JUDICIAL CONSTAT D' ACCORD (ANDREOLTI ALSO- AFTER DISCUSSION HAD MOVED ON - FAVOURED ONE) YOU ASKED WHEN IT WOULD BE. BARRY THOUGHT ONLY ON COMPLETION OF THE PORTUGUESE NEGOTIATIONS. THAT WOULD DEPEND ON FISH. GENSCHER WAS NOT SURE OF THE EFFECT ON SPAIN. HE THOUGHT THE IDEA SHOULD BE DISCUSSED ONLY AFTER RECEIPT OF THE COMMISSION'S PROPOSALS ON , AND COREPER DISCUSSION OF, FISH. IT SHOULD THEN BE DISCUSSED IN SUPER RESTRICTED SESSION IN BRUSSELS (MINISTERS PLUS ONE) ALONG WITH OTHER ALL OUTSTANDING ISSUES. CELLE ST CLOUD PROVIDED A GOOD EXAMPLE OF THIS GLOBAL APPROACH: ALL OUTSTANDING PROBLEMS SHOULD BE PUT ON THE TABLE AND DISCUSSED IN SUPER RESTRICTED SESSION. VAN DEN BROEK (NETHERLANDS) SUPPORTED STRONGLY. THIS WOULD GIVE A GLOBAL PICTURE IN WHICH TRADE-OFFS WOULD BE POSSIBLE. BARRY SAID THE PRESIDENCY WOULD TRY TO PRESENT A COMPREHENSIVE PACKAGE FOR THE FAC ON 17 SEPTEMBER WHICH WOULD COVER EVERYTHING EXCEPT WINE (SEE PARA 9 BELOW) SPANISH FISHERIES AND THE CANARIES (NOT YET READY).

7. YOU EMPHASISED THAT INDUSTRIAL TARIFFS MUST BE INCLUDED. BARRY QUESTIONED THE IMPORTANCE OF THIS, GIVEN THAT TARIFFS WOULD BE ABOLISHED WITHIN 7 YEARS ANYWAY. YOU SAID IT WAS IMPORTANT FOR THE UK. THE COMMISSION'S PRESENT PROPOSALS FELL FAR SHORT OF WHAT WE WANTED BUT WE WERE PREPARED TO ACCEPT THEM AS THEY STOOD TO REACH AGREEMENT.

8. NATALI GRUMBLED ABOUT THE DIFFICULTY OF INCLUDING FISH FOR PORTUGAL IN A GLOABL PACKAGE WHILE EXCLUDING IT FOR SPAIN, BUT YOU SUPPORTED BY DUMAS AND GENSCHER, URGED THAT EVERYTHING POSSIBLE SHOULD BE PUT IN THE PACKAGE. THE BEST MUST NOT BE THE ENEMY OF THE GOOD. ASPECTS OF PARTICULAR CONCERN TO PORTUGAL COULD BE NEGOTIATED SEPARATELY: OTHER ASPECTS COULD BE NEGOTIATED AD REFERENDUM ON THE OUTCOME OF SPAIN. ON SOCAIL AFFAIRS PAYMENTS TO FAMILIES OF WORKERS GENSCHER SAID THERE WAS NO CHANCE OF A MOVE NOW BY GERMANY BUT, ' ' THE NEGOTIATIONS WOULD NOT FAIL ON THAT ' ' . BARRY WONDERED WHETHER THE PACKAGE SHOULD NOT INCLUDE THE CANARIES AND BE READY FOR THE SPECIAL ENLARGEMENT COUNCIL ON 1 OCTOBER. GENSCHER ARGUED THAT, GIVEN THE PROXIMITY OF THE JOSE MEETING , COMMUNITY MINISTERS WOULD NOT BE READY TO NEGOTIATE ON 1 OCTOBER AND THE MEETING SHOULD BE POSTPONED UNTIL MAYBE 7 OCTOBER. YOU ARGUED SUCCESSFULLY THAT AS MUCH AS POSSIBLE SHOULD BE DONE ON 17 SEPTEMBER AND THE PRESIDENCY REMINDED THE MEETING THAT THE 1 OCTOBER DATE HAD BEEN IN DIARIES FOR A LONG TIME.

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9. ON WINE AN ENTIRELY PROCEDURAL DISCUSSION TOOK PLACE FOR 15 MINUTES BETWEEN THE COMMISSION, FRANCE, ITALY, GERMANY AND GREECE AFTER THE MAIN MEETING. AGRICULTURE MINISTERS WOULD BE ASKED TO PRODUCE A SOLUTION AT THEIR INFORMAL AND COUNCIL MEETINGS ON 18 AND 27 SEPTEMBER AND REMIT THEIR CONCLUSIONS TO FOREIGN MINISTERS IN TIME FOR THE 1 OCTOBER SPECIAL COUNCIL. FOREIGN MINISTERS WOULD TURN THESE INTO A NEGOTIATING POSITION WITH SPAIN.

10. ON NUMBER OF COMMISSIONERS, ALL AGREED THAT SPAIN SHOULD HAVE TWO, BUT YOU RESERVED THE RIGHT TO PURSUE THE QUESTION OF ONE PER LARGE MEMBER STATE IN THE DOUGE COMMITTEE.

FCO PSE PASS ALL

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(REPEATED AS REQUESTED)

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PRIME MINISTER

Enlargement of the Community

The negotiations with Spain and Portugal are reaching the decisive phase. There is to be discussion of how best to secure UK interests in the end-game after Cabinet on Thursday. You might like to ponder the attached papers before then:

- A Note by Sir G Howe
- B Much better note by Mr Williamson
- C Letter from Mr Tebbit.

There is no doubt that enlargement is going to change the nature, increase the cost and encumber the operation of the Community. One asks oneself why we ever got involved with it. The political benefits roll nicely off the tongue but look less decisive as the political and financial costs become clearer.

But there are some useful gains for instance over Gibraltar and perhaps Spanish membership of NATO to be had; an enlarged Community should put paid to a lot of the guff about European Union/Federal Europe since it will obviously be impractical, leaving more scope for progress on practical matters of interest to the UK; anyway its not practicable at this stage to reopen the whole question of the desirability of enlargement; and, most important, the Fontainebleau agreement should shield us from the worst of the financial costs (we should pay 'only' 7% of them).

There are no real problems left with Portugal.

The Community's present negotiating positions on the _____

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main outstanding issues with Spain, listed in paragraph 4 of Mr Williamson's note, meet our main requirements: accelerated reduction in the highest Spanish tariffs, tight limits on Spanish fishing in Community waters, limits to the cost of the olive oil and wine regimes, satisfaction on restructuring of the Spanish steel industry. But there is bound to be some horse-trading in the final stages: the Community won't get its way on everything: and we shall come under strong pressure to compromise on some of them. We need to be clear about the order of importance of the UK interests at stake.

These seem to be:

- to get the Fontainebleau agreement tied up tight as soon as possible. This will be far more important in determining the impact of enlargement on the UK than any of the issues actually under negotiation with Spain;
- to get Spanish restrictions on Gibraltar lifted. But this is mainly a bilateral issue.

Apart from these:

- to insist on really large reductions in the highest Spanish tariffs. This and satisfaction on Gibraltar will be crucial to getting enlargement through the House;
- ✓ - limits on Spanish fishing even if the Community has to pay for it in aid to restructuring of the Spanish fishing fleet (to which our contribution will be small);
- limits on the cost of extending the olive oil and wine regimes to Spain;

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- insistence on effective restructuring of the Spanish steel industry.

One of the questions which the meeting needs to consider is whether we can afford to relax our position on any of these to gain others (e.g. Mr Tebbit's suggestion that we should weaken on olive oil to get our way on tariffs).

Another question which might be looked at is: clearly we don't want to get manoeuvred into the position of appearing to block Spanish accession, but how much do we mind if others, eg France, do? Do we want Spain in enough to justify concessions on our interests to buy off others? (Answer no.)

If there is time the meeting might also consider what life will be like inside an enlarged Community and how we should be preparing for it. An inner directory of Britain/France/Germany? But can you exclude Italy? A northern tier? An inner and an outer Community?

C.D.P.

11 September 1984

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PM/84/147

PRIME MINISTER

ENLARGEMENT OF THE COMMUNITY

1. I attach, in preparation for our discussion on 13
September, a paper by officials covering, with
recommendations, the main outstanding points of concern
to Britain in the accession negotiations with Spain and
Portugal. An annex to the paper describes, for
background, other unresolved difficulties between the
Community and the applicants. You will also have seen
the letter of 6 September to me from the Secretary of
State for Trade and Industry about the negotiations.

2. For most member states and the Community as a whole
enlargement will represent an economic cost. Spain
will be a difficult partner, with large agricultural
interests and a protectionist industrial tradition.
Portugal's weak economy and backward agriculture will
need support. But the damage to Western political and
security interests if the negotiations were to fail
would be serious. The referendum outcome on continued
NATO membership, to which the Spanish Government is
committed in 1985 or 1986, would be in jeopardy. All
member states, including the French, recognise that
there is a political need to complete the enlargement

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negotiations within the next few months. For our part we are seeking through the accession negotiations to secure the removal of the Spanish restrictions on Gibraltar.

3. In defending our own major interests in the negotiations, particular objectives have been:

- (a) to prevent enlargement further distorting the Community's finances, above all by placing intolerable stress on CAP expenditure.
- (b) to make sure that British tax payers and producers do not pay more than their fair share of the costs of enlargement.
- (c) to secure what advantage we can for British industry.

Other member states have their own interests to defend - of which those of French, Italian and Greek peasant farmers have most consistently bedevilled the negotiations.

4. Spain and Portugal's main objectives are also as much political as economic. But, with economic difficulties greater even than those of the existing Community, they too will have to defend the accession arrangements to their Parliaments as a fair balance

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between their interests and those of the existing Community. Some hard negotiating still lies ahead, particularly in the agricultural, fisheries and industrial sectors.

5. Portugal should present few problems in this respect. At our instigation, she has swallowed a tough deal on textiles - her major export sector. Theoretically she might find herself a net contributor to the Community budget during the transitional period, but a number of ways have already been found to channel funds to her during the first stage of transition, including retention of levies and duties. As a result she is unlikely to become a net contributor in practice.

6. Spain, as the paper by officials makes clear, will have to accept a tough bargain:

- . Spanish industry will have to come out more quickly than it wants from behind the excessive barriers of the 1970 EC/Spain Agreement;
- . Spain secures minimal increase in access for 4 years for her main export sector, fruit and vegetables;
- . Access by the large and important Spanish fishing fleet - mainly based in the sensitive Basque country - will be strictly limited and the number of vessels will

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have to be reduced;

. Spain will not be able to exploit her comparative advantage in the olive oil and wine sectors, because we and other member states are insisting that production controls be introduced before either regime applies to Spain to prevent an explosion of expenditure; (here our problems are less with Spain than with some of our partners, notably Italy and the arguments could yet seriously delay progress).

. The Spanish Government is not going to find it easy to sell a deal of this kind to Spanish opinion, and this is reflected in their present negotiating tactics and impatience with the slow pace.

7. An internal Commission paper, reflecting the hard bargain the Community has been driving over agriculture, intimates that, on accession, Spain would be a net contributor to the Community budget in the year of accession to the tune of about 1 billion ecu (declining to zero after 10 years). This problem should be dealt with as it was for British and Greek accession, by a system of degressive VAT refunds. We must insist that anything done to channel funds back to Spain in the early years after accession is fitted into the normal framework of transitional arrangements (and

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that there is no question of Spain qualifying for reliefs under the Fontainebleau system). The Fontainebleau mechanism means that we will be contributing seven per cent to the costs of enlargement.

8. As the pressure increases to complete the negotiations, we shall need to fight hard to secure the objectives identified in the officials' paper. In particular, we must:

- get early relief for British exporters from the highest Spanish tariffs in the sectors of most concern to us, above all cars;
- get effective curbs on the Community's production of olive oil and wine before Spain begins her transition to Community price levels for these products (and here we must build on the common ground we have established with the French);
- prevent Spanish fishermen from making inroads into stocks of importance to our fishermen;
- hold the Community to its insistence that Spain receive only eight votes in a qualified majority set at 54 votes for the enlarged Community (but for the purposes of the negotiations we should not resist two Commissioners for Spain: we can reserve our

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right to pursue the issue of a smaller Commission in the separate context of the Ad Hoc Committee on Institutions);

- tie the Spaniards down tight on their commitment to restructure their steel industry.

9. I am copying this minute to the Lord President of the Council, the Chancellor of the Exchequer, the Secretary of State for Trade and Industry and the Minister for Agriculture, Fisheries and Food and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'G. Howe', written in a cursive style.

GEOFFREY HOWE

Foreign and Commonwealth Office
10 September, 1984

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ENLARGEMENT

NOTE BY OFFICIALS

Introduction

1. Negotiations with Portugal and Spain since their respective applications in 1977 and 1978 have been long drawn out, not only because of their intrinsic difficulty but also because of the Community's slow progress towards agreement both on the post Stuttgart package and on the revised regime for Mediterranean agricultural products in preparation for enlargement.
2. The Fontainebleau Agreement has given a major impetus to the accession negotiations and some - but not all- of the Mediterranean agricultural problems were settled by Agriculture Ministers in October 1983. But the Fontainebleau target date of 30 September 1984 for conclusion of negotiations cannot be met. In the case of Portugal, with 11 (out of 17) chapters concluded, negotiations should be completed by the end of November. In the Spanish negotiations 10 (out of 17: see Annex B below) chapters have been substantively concluded but some of the most difficult dossiers in the negotiations remain unresolved; conclusion is unlikely before the turn of the year. Against this background, the target accession date of 1 January 1986 could slip, perhaps to 1 July 1986.

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Having invested some domestic political capital in the target date of 30 September 1984, the Portuguese have asked the Community for a "Constat d'accord" or solemn declaration at the end of September or in October to record the conclusion of the substantive part of her negotiations.

3. This note identifies the problems outstanding in the negotiations of particular importance for the UK, where our concerns are not shared in equal measure by our partners. The note attached at Annex A describes general problems in the main dossiers outstanding of concern to the Community as a whole.

GENERAL

4. Our overall objective has been to limit the costs of Spanish accession to the UK. Another major aim is to improve trade access for British industry as soon as possible after accession. But in financial terms, the budgetary costs of Spanish participation in the CAP will far outweigh the trade benefits we may derive.

SPANISH INDUSTRIAL TARIFF TRANSITION

5. Most aspects of the Customs Union chapter and External Relations chapter have been satisfactorily settled. Agreement has been reached on industrial and fiscal measures providing for improved access to the Spanish market from accession; this includes Spanish

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introduction of VAT by accession worth as much as a reduction in import duties of up to 10 points, according to product. But no agreement has yet proved possible on the key question of the duration and modalities of tariff dismantlement. Most member states, the Commission and Spain are now prepared to accept that the outcome will be a transitional period of 7 years (Spain asked for 10 - the UK's was 5). Spain has also agreed that in addition to the progressive reduction of tariffs during transition, the problem of her very high import duties (over 20%) must be addressed, although they have linked this with a more satisfactory overall balance of advantage to them in industry and agriculture. Commission proposals have just been introduced which reflect substantial briefing from the UK. We have been insisting on accelerated dismantlement of the very high duties on cars, domestic electrical appliances, photographic equipment, certain chemicals and some other items. On dismantling import duties below 20%, we are continuing to argue for steeper cuts in the earlier stages of transition ("front-loading"); the Spaniards want the opposite "backloading". But our partners attach less importance to tariff transition than we do; the French, for example, have major industrial investment in Spain -

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they support front loading but have little interest in rapid dismantling of the higher duties. Both accelerated dismantlement of very high duties and front loading will be difficult to negotiate; backloading, which is quite unacceptable, is unlikely to run. We recommend therefore that our prime objective should be satisfactory arrangements on those tariffs over 20%.

PORTUGUESE INDUSTRIAL TRANSITION

6. The Community and Portugal have agreed on a 7 *year* industrial transitional period; at UK instigation, the Portuguese accepted an effective continuation of the VRA on textiles for 4 years post accession. The Portuguese are making repeated efforts to secure an increase in the agreed pre-accession limits, which would increase access levels during the transitional period. We recommend that we continue to resist these firmly.

SPANISH STEEL RESTRUCTURING

7. Spain is a large and aggressive steel exporter. There have been constant problems over Spanish compliance with the levels agreed in her VRAs with the Community, and Spain delayed providing the Community with the necessary detailed information about her restructuring. We see it as indispensable to reach agreement on a restructuring programme, on state aids

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✓ and on measures to avoid disruption post accession.

The Commission and other member states share our concerns but may be susceptible to pressure at the end of negotiations to reach agreement on a vague and unenforceable form of words. We recommend that our aim should be maximum Spanish restructuring before accession and that any derogations there may have to be for Spanish steel aids after Spanish accession should be strictly limited and accompanied by corresponding restrictions on Spanish access to EC markets.

SPANISH FISHERIES

8. There is a major UK interest (shared particularly by Ireland, Denmark and France) in maintaining the delicate balance of the Common Fisheries Policy, agreed only recently and after a lot of very hard negotiation. Our specific objectives are to avoid giving Spain access to TACs and quotas agreed as part of the CFP package, and more generally to maintain restrictions on the number of Spanish vessels allowed to fish in EC waters for other EC species. Moreover, we need to ensure that Spanish fishing for non-quota species, hitherto subject to varying degrees of restriction, is not allowed to increase so that it damages the current fishing activities of the UK fleet.

9. The Commission are currently revising the initial

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Community position and have in mind to propose a permanent and non-discriminatory arrangement under which member states would be required to have licences issued by the Community to fish in areas deemed to be of peripheral interest to them. In the waters of interest to us, this would in practice be more restrictive on Spain than on any other Member State. The new approach should safeguard the UK's interests in principle, provided the details prove satisfactory. But, it will be a harsh package for Spain, and we are not yet clear that all member states accept it. To help make the proposal negotiable, the Commission are also proposing better terms on price support and market access, and pre-accession financial help (about 30 million ecu) to help Spain decommission 50,000 gross tonnage of her fleet (catch potential in EC waters of the order of £30 million per annum). We have so far resisted the proposal on budgetary grounds. Given our major interest in an early start to the restructuring of the Spanish fleet and in Spanish acceptance of a regime that will not endanger the CFP, we recommend that we support the expected Commission package as the best means of protecting the balance of the CFP and our fishing industry's current level of activity subject to the necessary finance being available.

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AGRICULTURE: SPAIN

10. The main problems for the Community as a whole in negotiation are covered in Annex A (paras 3-4). As far as the UK is concerned, there are three particular problem areas outstanding- preserving the term "British Sherry" and ensuring that the EC regimes to be applied to the enlarged Community for olive oil and also for wine do not lead to the creation of expensive surpluses.

11. British sherry. The Commission accept that from Spanish accession, the terms "sherry/Jerez/Xeres" will become fully protected appellations applied to fortified wines from a defined region of Spain. This is hard to contest, but the UK has lobbied hard for the legitimate continued use of "British sherry" in the UK. Our purpose is to protect a 100 year old industry which employs 2,000 people, has annual sales worth £100m and which the producers argue could not market under a different name. The Spaniards have told us informally that the most they could accept is the description "sherry type" and a derogation for phasing out the name over 10 years (the longest transition envisaged in the negotiations). Our industry would not consider this adequate. While our partners may support us in putting the case to Spain for a permanent acceptance of the

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term "British Sherry" in order to preserve a Community industry, such support will not survive determined Spanish opposition. We recommend that we continue to press for protection of the term British Sherry.

12. Wine. France insists that the wine regime be reformed before negotiations are concluded with Spain to impose strict production controls, while the Spaniards refuse to commit themselves to accede to a regime whose nature is not clear. The UK has a budgetary interest in reducing the wine surplus and also an industrial one, since surplus wine alcohol threatens our alcohol producers. The French objective of agreement on a reformed regime during September is unrealistic, given Italian resistance to curbs on production. But a solution must be found before the end of the year if accession is not to be delayed. We recommend that we support the French in working for a solution which restrains surplus production, eg by a guarantee threshold, limits budgetary costs and protects the interests of our alcohol producers.

13. Our objective on olive oil is to control production in the existing Community and in Spain in order to avoid creation of a surplus with major budgetary implications. Our estimate is that the final cost of applying the existing regime to Spain taking account of

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the likely increase in her production would be about 1.2bn ECU, about one quarter of which could be avoided by preventing the creation of a surplus. We also wish to avoid any arrangements which increase pressure for the imposition of import restrictions or a domestic tax on oils and fats. Our attempts to reform the existing regime during the last few years have met resolute opposition from Italy and Greece. We recommend that we continue to work for arrangements which avoid Spanish transition to EC price levels until a guarantee threshold is in effect.

AGRICULTURE: PORTUGAL

14. The Portuguese consume about 300,000 tonnes of sugar a year. Almost all of this is imported as raw cane sugar to be processed by Portuguese refineries; just over a third is supplied under long term contracts by four African countries (Zimbabwe, Swaziland, Malawi and Ivory Coast), which are also ACP (African, Carribean and Pacific) signatories to the Lomé Sugar Protocol. The Portuguese want to meet the needs of their refineries after accession by continuing to buy sugar from ACP countries, and have asked that this be done by increasing by 300,000 tonnes the annual quota of sugar which the Community guarantees to buy from ACP countries at the Community's internal sugar price

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(currently well above the world market price).

15. This demand is of course excessive; there is spare sugar in the Community which the Portuguese could buy, both beet and (from the French Overseas Departments) some cane. But their refineries, built to process cane sugar, could only take a certain amount of beet, and they will continue to want more cane sugar after enlargement than they could get from the French Overseas Departments alone.

16. Our interests are involved in three ways:

- a) above all, because Tate and Lyle take 1.1 million tonnes of the 1.3 million tonnes of the present ACP quota. If Portuguese refineries start competing for this sugar, Tate and Lyle's Greenock refinery could cease to be viable, and capacity might have to be reduced at their other refinery in Silvertown. So we want some of Portuguese needs met from outside the existing ACP quota,
- b) but we do not want this done at excessive cost to the Community budget. The ACP quota is balanced by the provision of export refunds for a corresponding amount of Community beet sugar; so 300,000 tonnes more on the quota would mean 300,000 tonnes more subsidised EC exports.

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c) we would like, if possible, to safeguard the interests of the four ACP supplier countries, three of whom are Commonwealth members, from the permanent loss of an important market.

17. The Commission have proposed that the ACP quota should be increased by an amount (effectively, around 75,000 tonnes) sufficient to give the four ACP countries concerned returns (at the EC price level) comparable with the returns (at the much lower world price) which they presently enjoy under their long-term contracts. At the Foreign Affairs Council on 3 September, the French and Belgians refused point blank to contemplate any increase in the ACP quota. They are most unlikely to relent and any support we get from other member states will be muted. We are therefore examining other ways of meeting our criteria, perhaps incorporating a reduced levy quota for ACP suppliers to the Portuguese market in addition to, or instead of, an increase in the regular ACP quota under Lomé. Under this the ACP suppliers would continue to sell at the world price and the Portuguese could continue to buy at this price but would additionally pay a levy to bring this price up to the ACP guaranteed price; (the proceeds of the levy go to the EC budget or - during the first phase of five years - to Portugal). We

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recommend that we continue to work for a solution which fully safeguards supplies to the British refineries, while taking account of the legitimate expectations of the Portuguese and interests of the ACP suppliers.

COSTS OF ENLARGEMENT

18. It is generally accepted that both Spain and Portugal should be net recipients from the Community budget. (A prosperity league for a Community of 12 is attached at Annex C). The Commission have tried in negotiations to ensure financial benefits for Spain and Portugal during their transition by the operation of Community policies, since it will be some time before both countries start to benefit from EC structural funds. Portugal will be able to benefit from the retention of receipts from duties and levies on eg cereal imports. The Community is, however, proposing rigorous terms for Spanish agriculture. While negotiations continue, no realistic estimate is possible as to the overall financial implications. By analogy with Greece, some mechanism for refunding part of VAT payments may prove necessary during the first years of transition if the detailed agricultural arrangements place Spain (or, less likely, Portugal) in the position of a net contributor. A highly speculative estimate given these uncertainties is that

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by 1990 the net cost to the Community budget would be of the order of 0.15 percentage points of the 1% VAT base i.e. about 2.25 billion ecus in 1984 terms.

Under the favourable arrangements negotiated at Fontainebleau, our share would be 158 million ecus.

INSTITUTIONS

19. The Community has told Spain that for qualified majority voting purposes she will have 8 votes and Portugal 5; the qualified majority vote in an enlarged Community would be 54 (of 76). No proposals have been made as to the number of Commissioners; it is generally accepted that if there are to be 17 Commissioners, Spain will have two and Portugal one. It is likely that we shall have to accept this; the Ad Hoc Committee on Institutions will, however, offer an opportunity to pursue our objective of a smaller Commission.

GLOBAL MEDITERRANEAN POLICY

20. Once Spain has tariff and levy free access to EC markets, her Mediterranean produce is likely to expand considerably and displace much of the agricultural exports of the Community's Mediterranean preferential partners, in particular Tunisia, Cyprus, Morocco and Israel. The Commission have made useful if modest proposals for concessions on tariffs and entry prices for key commodities, i.e. tomatoes, citrus and table

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External Relations chapter, Spain has already undertaken to remove obstacles to trade by accession; we expect similar agreement in the Social Affairs chapter that she will remove obstacles to the Free Movement of Persons (which would not however affect workers who will be covered by the proposed 7 year transitional period). The Foreign and Commonwealth Secretary has minuted his colleagues in OD separately on Gibraltar.

Foreign and Commonwealth Office

10 September 1984

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ANNEX A

OTHER ISSUES IN THE ENLARGEMENT NEGOTIATIONS

1. The attached tables set out the state of play in the various chapters of the accession negotiations. This note briefly describes those outstanding problems not covered in the main paper and the likely outcome, and records agreements reached so far on points of particular concern to the UK.

AGRICULTURE

Portugal

2. In view of the underdeveloped state of Portuguese agriculture, the Community has proposed special transitional arrangements whereby 84% of Portuguese agriculture will be excluded from application of the CAP for a first "phase" of 5 (which can be reduced to 3) years to give time for adaptation and development of the necessary infrastructure (marketing organisation, quality control etc). After the first phase, conventional transition would take place for a further 5(or 7) years for a total of 10. The remainder of Portuguese agriculture would be subject to a conventional transition of 7 years. The chapter should now be resolved without particular difficulty. The Commission, however, argue that Portugal will need further balance of payments support additional to the

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retention of income from duties and levies; this may need to be taken into account in the discussions on Own Resources.

AGRICULTURE

3. Spain. Spanish agriculture (particularly horticulture and wine) has proved the largest single obstacle in the negotiations. Spanish accession will increase the number of Community farmers by one third, with consequent CAP expenditure implications, and French and Italian fears of Spanish competition.

4. The French have insisted on a phased approach under which for an initial period of 4 years Spanish fruit and vegetables are excluded from the full application of the CAP and receive only a minimal increase in trade access to the EC (and indeed face the recent increase in EC protection for these products) for an initial phase of 4 years, followed by conventional transition for a further 6. Agreement on the phased approach (with a concession on citrus sought by the Spaniards) is likely with Spain receiving some balancing compensation by way of a surveillance mechanism on Northern products (dairy, beef, cereals), where she is uncompetitive. Our own horticulture sector will in general be protected by the arrangements that France and Italy secure to protect their own very much greater

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concerns; we need, however, to work for the quickest possible phasing out of national controls operated by other member states to limit Spanish imports. There are no formal Commission figures yet as to the budgetary implications of the arrangements; the costs to the EC budget during the first years of transition are likely to be small .

FISHERIES

4. Portugal. Portuguese fisheries do not present a real problem; Portugal shares the general Community interest in limiting Spanish access. We have a dual interest, to help Portugal and as major consumers, in promoting access for Portuguese sardine exports to the Community.

5. Spain. The main paper covers access; there are two other outstanding problems. The original Community proposals to Spain called for a long transitional period and a licensing system for Spain alone, with special arrangements to exclude her from a defined area in the Irish Sea called the "Irish box". The "Irish Box" is hard to justify biologically and the Commission have made clear that it will almost certainly need to be dropped in the final package. We are reconciled to this , but it will be difficult for the Irish. In addition, Spain has asked that the Canaries, the source of a large proportion of Spanish canned fish, be

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outside the CFP but have free access to EC markets, which would create a loophole in the Community's marketing system. The Community is likely to insist that the Canaries be included in the CFP if they are to profit from free access.

SOCIAL AFFAIRS

6. The Community is insisting on a 7 year transitional period on the free movement of of workers both for Spain and Portugal, as was the case for Greece. Both applicant states have moved towards public acceptance of any transitional period with great reluctance, given the large number of Spanish and Portuguese migrant workers. The UK is well placed in the middle of the pack; the-Germans and Luxembourg in particular are taking an extremely hard line. The chapter may well not be finalised until a late stage in negotiations.

FOREIGN AND COMMONWEALTH OFFICE

4 September 1984

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PORTUGAL - STATE OF PLAY

<u>CHAPTER</u>	<u>STATE OF PLAY</u>	<u>COMMENT</u>
CAPITAL MOVEMENTS	Agreed in full	
TRANSPORT	Agreed in full	
REGIONAL POLICY	Agreed in full	
EURATOM	Agreed in full	
RIGHTS OF ESTABLISHMENT	Substantially agreed	
ECOFIN	Substantially agreed	(except for inclusion of escudo in ecu)
TAXATION	Agreed in full	(except for Azores/Madeira)
CUSTOMS UNION	Agreed in full }	(includes transitional 3/4 years arrangements for textiles) 7 years transition
ECSC	Agreed in full }	
EXTERNAL RELATIONS	Substantially agreed }	
HARMONISATION OF LAWS	Agreed in full	(including Environment and consumer protection but excluding patents)
PATENTS	In progress	
SOCIAL AFFAIRS	Under negotiation	Community want 7 years transition.
AGRICULTURE	Under negotiation	(Community have proposed 'phased approach' with first phase of 5 years)
FISHERIES	In progress	
INSTITUTIONS	In progress	
OWN RESOURCES	To be negotiated	
PORTUGAL/GREECE }	To be negotiated as separate protocol to the Act of Accession.	
PORTUGAL/SPAIN }		

SPANISH ACCESSION - STATE OF PLAY

<u>CHAPTER</u>	<u>STATE OF PLAY</u>	<u>COMMENTS</u>
CAPITAL MOVEMENTS	Agreed in full	
TRANSPORT	Agreed in full	
REGIONAL POLICY	Agreed in full	
EURATOM	Agreed in full	Spain to apply full scope safeguards. No undertaking as regards NPT
RIGHTS OF ESTABLISHMENT	Agreed in full	
ECOFIN	Agreed	Except for inclusion of peseta in ECU.
TAXATION	Agreed in full	Spain to introduce VAT by accession.
CUSTOMS UNION	In progress	} Only length and modalities of tariff transitional period outstanding; also steel restructuring
ECSC	In progress	
EXTERNAL RELATIONS	Substantially agreed	
HARMONISATION OF LAWS	Agreed in full	(including environment and consular protection
PATENTS	Agreed in full	
SOCIAL AFFAIRS	In progress	EC insisting on 7 years transition
AGRICULTURE	In progress	
FISHERIES	In progress	
OWN RESOURCES	To be negotiated	
INSTITUTIONS	In progress	
SPAIN/PORTUGAL	} To be negotiated as a separate protocol to the Act of Accession	
SPAIN/PORTUGAL:GREECE		

ANNEX C

<u>C</u> <u>at</u> ..	<u>GDP as a % of total</u> <u>GDP OF A COMMUNITY OF 12</u>	<u>Relative prosperity (GDP</u> <u>per head as % of EC average)</u>
Belgium	3.3	108
Denmark	2.3	142
Germany	26.4	137
Greece	1.4	46
France	21.0	123
Ireland	0.69	63
Italy	14.4	82
Luxembourg	0.14	116
Netherlands	5.3	119
United Kingdom	17.6	100
Spain	6.5	54
Portugal	0.90	28



Qz 03872

MR POWELL - 10 Downing Street

ENLARGEMENT OF THE COMMUNITY:
PRIME MINISTER'S MEETING ON 13 SEPTEMBER

1. In preparation for this meeting the Foreign and Commonwealth Secretary is submitting a minute to the Prime Minister, together with a note on the state of the negotiations with Spain and Portugal prepared by the Foreign and Commonwealth Office after discussion with other Departments. As there are so many questions which may be raised at the meeting, it may be helpful if I draw particular attention to the following points.

Adjusting to the enlarged Community

2. The entry of Spain and Portugal into the Community will be a major change, bringing in about 48 million more people with historic links with South and Central America and an ambition to revive their role in Europe. Spain alone will bring to the Community an agricultural land area greater than that of Italy and Germany together (it will increase the number of farmers in the Community by 26 per cent), major merchant and fishing fleets, crude steel production similar to our own, a fast expanding level of car production now overtaking that of the United Kingdom and other potentially powerful industrial sectors based on heavy investment by multinational companies. Member states have supported enlargement of the Community for democratic and defence reasons. It will, however, bring many problems. The United Kingdom, like other member states, will have to make some adjustments in order to protect its interests. It is not too soon to think about them.

3. The main changes which the entry of Spain and Portugal will bring to the Community are in:

/(i)



- (i) political attitude. The enlarged Community will clearly be more orientated to the South and to the Mediterranean. About 160 million of the enlarged Community's 320 million people will live in countries with a Mediterranean coastline. A sharper division between North and South in the Community is almost inevitable. The United Kingdom is bound to have to form alliances with Germany, Denmark and the Benelux and, where possible, France on such issues as Mediterranean programmes and aid for restructuring. It is therefore important that agreement has now been reached that a qualified majority in the enlarged Community will need 54 votes, so that the United Kingdom with one large and one other member state (other than Luxembourg) will be able to block unacceptable decisions.
- (ii) industry. Spanish production will become an increasing competitor for British industry and in some sectors may target its exports on the British market. It is therefore very important that the Community should be aware of and, where justified, should be effective in removing Spanish aids such as those in steel production; and that the present imbalance in tariff protection should be reduced as quickly as possible in the transitional period (the Spanish, of course, do not want accelerated reduction of their high tariffs). The situation is clearly sensitive for cars (Spanish tariff 36.7 per cent, UK tariff 4.1 per cent) because Spain has become a major supplier to the United Kingdom. The Spanish Government encouraged the multinational car manufacturers (General Motors, Ford) to establish plants in Spain but only on condition that two-thirds of their output would be exported, and the United Kingdom is the soft market. In the House of Commons between April and July there was a full debate, an adjournment debate, an early day motion, a Select Committee report and at least ten Parliamentary Questions on this subject. The disparity of treatment applies more widely than to cars.

/(iii)



(iii) agriculture. Enlargement will raise the cost of the common agricultural policy and will make it more difficult to rein back expenditure on Mediterranean commodities. The Fontainebleau agreement, however, will give the United Kingdom a large degree of protection against rising agricultural expenditure. Portuguese agriculture is small (the land area is less than half that of Greece) and poorly developed: there will be a cost for the Community in encouraging restructuring and improvement in Portugal. Spain, however, is well-organised in the production and marketing of many agricultural products, particularly citrus and horticultural produce, and is already an important supplier to the Community. United Kingdom consumers will get an increasing benefit. France and Italy have been active in protecting their producers, in effectively slowing up the transition and in giving the impression that the problems of enlargement are largely agricultural. The United Kingdom's objective should still be to cut the cost of support for Mediterranean products. The Community position on two sectors is not yet settled. On wine the French have taken the opportunity to ask for stricter controls over production before Spain enters. This is really aimed at Italy but, as it is in line with our thinking, we are supporting the French. On olive oil the United Kingdom is asking for stricter controls (guarantee threshold). Northern member states and France support us.

(iv) practical and administrative problems. Enlargement will add to the difficulties of reaching decisions and administering policies within the Community (inflated Council, Commission and European Parliament; documents in nine languages; interpretation and translation; more opportunities for linkages and delays).

/State

State of the negotiations

4. The specific points are set out in the note which the Foreign and Commonwealth Secretary is sending forward. The Secretary of State for Trade and Industry will argue that our major priority now must be to get a better deal on the industrial chapter. It seems to us that the principal points are:

- (i) tariffs (including cars). The Commission has at last proposed a list of products for which the Community should demand an accelerated reduction of the Spanish tariff. We can agree it. It is essential to ensure that we get the agreement of the rest of the Community and of Spain.
- (ii) steel. We must insist on the maximum restructuring of Spanish steel production before accession and that any Spanish aids should be strictly limited and accompanied by corresponding restrictions on Spanish access to the rest of the Community market.
- (iii) fish. We must have effective limits on the licences for Spanish vessels. It would be in our interest if the Spanish fleet were reduced, even if this involved some Community aid (Fontainebleau agreement will cut back our share of the cost from the beginning of 1986).
- (iv) olive oil. We should keep pressing for a guarantee threshold or equivalent restrictions and have a good chance of obtaining some undertaking. It must be desirable (but may not in the end be negotiable) to prevent the Spanish beginning their transition to Community price levels until a guarantee threshold or equivalent control is in effect.
- (v) Gibraltar. Clearly we must have satisfaction on the removal by Spain of obstructions to trade and the free movement of persons.

/5.

CONFIDENTIAL



5. I am sending a copy to Sir Robert Armstrong.

Df Williamson

D F WILLIAMSON

7 September 1984

- 5 -

CONFIDENTIAL



JU974

Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

6 September 1984

CONFIDENTIAL

The Rt Hon Sir Geoffrey Howe QC MP
Secretary of State for Foreign
& Commonwealth Affairs
Foreign & Commonwealth Office
Downing Street
London SW1

D. Geoffrey,

SPAIN: ENLARGEMENT

The Prime Minister has called a meeting on enlargement for 13 September. I understand that you are intending to provide an up-to-date stocktaking on the various issues. We will need to consider our overall tactics at this meeting. I am very concerned to secure an acceptable industrial package.

2 The Prime Minister will recall from her meeting with West Midlands MPs in December 1982 the strength of feeling in the industry and the House about the inequity of our trade in manufactures with Spain. Since the recent decision by the Spanish Government not to increase the low duty quotas for cars from the Community for the coming year, MPs are again getting extremely restless.

3 The fact is that we simply cannot live with the present situation in which Spanish cars gain access to our market over only a 4 percent tariff while our manufacturers face a 37 percent tariff in their market. Unless we get a satisfactory industrial package we will not be able to defend the negotiations in the House and will run into terrible difficulties over the necessary legislation. Yet this is a high priority with the UK alone and we will need the utmost determination in dealing with other Member States as well as Spain. Fortunately the Commission at least are recently showing a more constructive approach.



4 I am strongly of the view that holding out for major concessions on the industrial package - particularly for cars - must be one of our very highest priorities in the negotiations on enlargement. And I believe the moment has now come to make our position even more sharply clear than in the past.

5 The tactics we adopt will be of crucial importance. I believe that at our meeting and against the background I have outlined we should consider whether it is wise to push our wish to retain 'British' sherry and our position on olive oil to the bitter end. We must settle on what are our real priorities and, if necessary, be prepared to negotiate trade-offs.

6 Copies of this letter go to the Prime Minister, Nigel Lawson, Michael Jopling and to Sir Robert Armstrong.

A handwritten signature in black ink, which appears to read 'N. Tebbit', written in a cursive style with a horizontal line underneath.

NORMAN TEBBIT

CONFIDENTIAL

RM



cc: F.C.

10 DOWNING STREET

From the Private Secretary

23 July, 1984

ENLARGEMENT OF THE EUROPEAN COMMUNITY

The Prime Minister said in Cabinet on 19 July that she would like to review the main outstanding issues in the enlargement negotiations with a small group of Ministers directly concerned.

I understand that the state of the enlargement negotiations is on the agenda of a meeting of OD(E) shortly. It might be helpful if the meeting were to commission a paper on the most difficult outstanding issues on the negotiations which could be considered by an ad hoc meeting of Ministers after Cabinet on 13 September. This would allow Ministers to reach any necessary decisions before the September Foreign Affairs Council at which I understand these issues will be addressed.

I am sending a copy of this letter to Janet Lewis-Jones (Lord President's Office), David Peretz (HM Treasury), Callum McCarthy (Department of Trade and Industry), Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food) and to Richard Hatfield (Cabinet Office).

(C.D. Powell)

C. Budd, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

A handwritten signature in the bottom right corner of the page.

PRIME MINISTER

EUROPEAN COMMUNITY ENLARGEMENT

You mentioned in Cabinet this morning that there should be a discussion of the enlargement negotiations in a smaller group of Ministers.

David Williamson and I have had a word about this. We suggest:

- (a) the matter should be brought up at OD(E) next Tuesday. The FCO would then be asked to do a paper on the crucial issues in the negotiations for consideration by
- (b) an ad hoc meeting of Ministers after Cabinet on 13 September.

Since nothing much is likely to happen in the negotiations during August, this timing should be all right. A meeting on 13 September would be before the September Foreign Affairs Council which will be crucial.

Those invited for the ad hoc meeting might be the Lord President, the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade and Industry, the Minister of Agriculture, plus Mr. Williamson and Sir Michael Butler.

Agree?

Yes mt

CDD.

19 July 1984



10 DOWNING STREET

cc NIO MAFF
CO HMT
DTI
LOD
LPSO
16 July 1984

From the Private Secretary

European Community: Qualified Majority
Voting in the Enlarged Community

Sir Geoffrey Howe mentioned this matter to the Prime Minister on 13 July and the Prime Minister reflected on it over the weekend. Her conclusion was that at the end of the day we should have to settle for 54 as the number of votes necessary for a qualified majority. This coincides with the conclusion of the minute which Sir Geoffrey Howe has subsequently sent her.

I am copying this minute to the Private Secretaries of members of OD(E) and to Richard Hatfield (Cabinet Office).

C. D. POWELL

C.R. Budd, Esq.,
Foreign and Commonwealth Office.

BM

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CONFIDENTIAL

Written to FCO
17/7
CO NO. 2



M

Prime Minister

This comes down in favour of agreeing to 54 votes as a qualified majority in the enlarged Community. You agreed to this on reading David Williamson's note at the week-end.

PM/84/123

PRIME MINISTER

European Community: Qualified Majority Voting in the Enlarged Community

CJP 16/7

1. The Foreign Affairs Council on 23 July will have to consider how many votes should be given to Spain and Portugal, and the number of votes which will constitute a qualified majority in the enlarged Community.
2. The proposed allocation of votes to Spain and Portugal is not contentious - Spain is to receive fewer votes (8) than the four largest Member States (10), but more than middle-sized countries such as Belgium or Greece (5). Portugal will get 5.
3. Discussion will focus therefore on the size of the qualified majority (and so of the blocking minority). Given that voting takes place mainly on financial and agricultural matters, and with the prospect of somewhat greater recourse to qualified majority voting on non-critical subjects in a Community of Twelve, this will be an important decision with implications for our efforts to maintain budget discipline in the future. OD(E) agreed on 8 March last year that our objective should be to preserve the present situation whereby any two large Member States can form a blocking minority. Translated into figures, this means we want 57 out of 76 votes to form a qualified majority in the enlarged Community. The smaller Member States, all net beneficiaries from the budget, do not

/share

CONFIDENTIAL



share this interest. The Danes and Italians want a qualified majority of 54, which would mean that two large Member States plus Denmark could block; Benelux and Ireland support the Commission's proposal of a qualified majority of 51. The figures and their implications are set out in tabular form in Annex.

4. The position of the other two net contributors, France and Germany, therefore is crucial, and we have lobbied very hard indeed in Paris and Bonn to try to persuade them to adopt the same position as ourselves. But French Ministers have decided to go for a qualified majority of 52. The reason given is that this would prevent Spain, Italy and Greece (23 votes in total) from combining to block necessary changes to Mediterranean agricultural regimes (for example olive oil and wine). The Germans have not yet declared themselves. But I see little hope that they will take and stick to a decision to insist on 57 votes as a qualified majority.

5. The Danish proposal (54) would preserve the present ratio of 71% of votes as constituting a qualified majority. It is clearly a good deal better than the present French position, let alone the Commission's proposal. It would mean that two large Member States could not be outvoted if they had the support of any other Member State except Luxembourg. In the most important areas, relating especially to financial matters and budgetary discipline, we could normally expect to have the support not only of the Germans (and increasingly of the French) but also of the Dutch. But it is clearly less satisfactory than 57 votes. None of this, of course, in any way affects the position on the Luxembourg Compromise.



6. We should maintain our position at this stage. But you and other colleagues will wish to be warned that we shall probably find ourselves with no support in the Foreign Affairs Council on 23/24 July. We shall not be able to hold up enlargement on this issue; and I would see considerable disadvantage in making a public issue of the matter only to be obliged subsequently to retreat from such a position, as I think we should have to do. We have warned the French that I shall wish to discuss the subject with M. Dumas when he is here on 16 July, and I shall then urge strongly on him the advantage to France of joining our position. We shall also be making a further effort with the Germans. But if we do not succeed in persuading either the French or the Germans to support this I think we must be prepared to settle at the Foreign Affairs Council on 54 votes - i.e. maintenance of the present percentage - 71% - for the qualified majority.

7. I am copying this minute to OD(E) colleagues and Sir Robert Armstrong.

(GEOFFREY HOWE)

Foreign and Commonwealth Office
13 July 1984

QUALIFIED MAJORITIES

Present situation	QM 45 out of 63 (71%)	Blocking minority 19 Two large <u>or</u> one large and two intermediate
Commission proposal	QM 51 out of 76 (67%)	Blocking minority 26 Two large and one intermediate and one small <u>or</u> Two large and two smalls (<u>not</u> Luxembourg) <u>or</u> Two large and Spain
UK position	QM 57 out of 76 (75%)	Blocking minority 20 Two large member states <u>or</u> One large and Spain and Luxembourg
Possible alternatives	(a) QM 54 out of 76 (71%)	Blocking minority 23 Two large and one small (not Luxembourg) <u>or</u> One large and Spain and one intermediate
	(b) <u>French</u> 52 out of 76	Blocking minority 25 Two large and one intermediate <u>or</u> + two smalls

Votes	FRG, F, I, UK	10 (large)
	Spain	8
	B, GR, NL, Port	5 (Intermediate)
	DK, IRL	3)
	L	2) (Small)

16 JUL 1984



RECEIVED





Qz 03822

MR POWELL - No 10 Downing Street

Prime Minister

This was the point mentioned by Geoffrey Howe this evening. C.D.P. 13/7

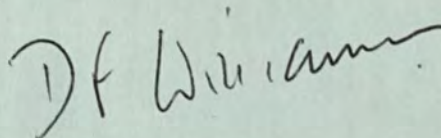
EUROPEAN COMMUNITY: SIZE OF A BLOCKING MINORITY VOTE AFTER ENLARGEMENT

1. I understand that the Foreign and Commonwealth Secretary may raise with the Prime Minister at the meeting at 6.30 pm this evening the question of the size of the blocking minority vote in the Community after the accession of Spain and Portugal. I suggest that, as other Ministers are concerned, it would be appropriate to take only a preliminary view and to invite the Foreign and Commonwealth Secretary to confirm his position in a minute which would be circulated more widely.
2. In the Community now the total votes of Community countries are 63. A qualified majority, in those areas where the Treaty permits such decisions, requires 45 votes. Thus two large member states, each with 10 votes, can block a decision. As a percentage of the total votes the qualified majority is about 71 per cent.
3. In the enlarged Community the total votes will be 76 (the existing 63 votes plus Spain 8 and Portugal 5). The Commission has proposed that the qualified majority should be 51. This means that, even if two large and one medium member state (eg Germany, United Kingdom, Netherlands) voted against a proposal, it would still go through. We have suggested that the qualified majority might be 57 votes but have received no support. Most other member states are in favour of 54 or 52 votes. The United Kingdom will need to decide its attitude to 54, 52 or 51 votes. Our recommendations are:

/(i)

- (i) 51 votes. No argument in favour. It would make the blocking minority a lower percentage of the total votes than now. The combination of Germany, the United Kingdom and the Netherlands would not be sufficient, for example in the Budget Council, to block a decision.
- (ii) 52 votes. The argument advanced in favour of this figure is that it would prevent a Mediterranean combination of Italy, Spain and Greece (total: 23 votes) from blocking a qualified majority decision. It would still enable the United Kingdom, with Germany and the Netherlands to block decisions and in the last resort therefore might be acceptable.
- (iii) 54 votes. In our view the priority should be to reduce the chance of the United Kingdom itself being outvoted, particularly in the Budget Council. On this principle we should try to get agreement on 54 votes, which would permit a blocking minority of two large member states (eg United Kingdom, Germany) with any other member state (other than Luxembourg). As a percentage of the total votes the qualified majority would be 71 per cent as at present.

4. I am sending a copy to Sir Robert Armstrong.



D F WILLIAMSON

13 July 1984

EWB PJ
Enlargement
ff2

OUT TELEGRAM

922

	Classification and Caveats	Precedence/Deskby
	CONFIDENTIAL	IMMEDIATE


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ZCZC
GRS
CONFIDENTIAL
FM FCO Z NOV 1983
TO IMMEDIATE NEW DELHI
TELEGRAM NUMBER
FOLLOWING FOR JOHN COLES FROM DUTY OFFICER NO 10
TEXT OF LETTER DATED 17 JUNE 1983 FROM PRIME MINISTER TO SR
DON FELIPE GONZALEZ MARQUEZ:
"DEAR PRIME MINISTER,
THANK YOU FOR YOUR LETTER OF 13 JUNE.
AS YOU KNOW, WE HAVE CONSISTENTLY GIVEN OUR FULL SUPPORT
TO SPANISH MEMBERSHIP OF THE COMMUNITY AND PRESSED FOR
EARLY PROGRESS IN THE ACCESSION NEGOTIATIONS. I CAN
ASSURE YOU THAT WE SHALL CONTINUE TO DO SO, THOUGH WE
HAVE ALSO MADE IT CLEAR THAT BEFORE ACCESSION CAN COME
ABOUT THE RESTRICTIONS ON GIBRALTAR WILL HAVE TO BE
LIFTED.
IN PARTICULAR, WE WANT TO SEE THE LONG DRAWN OUT
INTERNAL NEGOTIATIONS ON THE MEDITERRANEAN AGRICULTURAL
REGIMES BROUGHT QUICKLY TO A CONCLUSION SO THAT PROGRESS
CAN BE MADE ON THE AGRICULTURAL ASPECTS OF THE

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DWS
5/12

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Telephone number	233 8272	
Authorised for despatch 		
Comcen reference 3158	Time of despatch	

OUT TELEGRAM (CONT)

	↓	Classification and Caveats	IMMEDIATE	Page
		CONFIDENTIAL		2

<<<<

1 <<<<
2 NEGOTIATIONS. I WELL UNDERSTAND HOW IMPORTANT THIS IS
3 FOR YOU, AND I SHALL BE PRESSING FOR THIS AT STUTTGART.
4 YOURS SINCERELY, MARGARET THATCHER."

6 HOWE
7 NNNN

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NNNN ends telegram	BLANK	Catchword
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JR

cc: FCO

10 DOWNING STREET

THE PRIME MINISTER

PRIME MINISTER'S 28 November, 1983
PERSONAL MESSAGE
SERIAL No. T 197 / 83

Dear Prime Minister,

Thank you for your letter of 18 November. It is most helpful to have this clear and constructive expression of Spain's intentions and wishes as we prepare for the European Council at Athens next month.

I well understand the feelings that have prompted you to write. Britain supports Spain's accession and I welcome and share your determination that Spain should participate as a Member of the Community in its future development. The path to membership, as this country has reason to know, is a long and often frustrating one. But it is encouraging that the way is now open to begin serious negotiations with Spain on agricultural transitional arrangements, something for which we have long been pressing.

I therefore hope, like you, that your negotiations, and those of Portugal, will be completed in the coming year, so that Spain and Portugal may enter the Community on 1 January 1986. We shall continue to do all we can to make this possible.

The Athens Summit will, I believe, be of crucial importance to the future as well as the present Members of the European Community. Decisions need to be taken on the future financial requirements of the Community. These decisions will need to

/ ensure that

JSG

ensure that no Member State is asked to bear a financial burden disproportionate to its means, and that agricultural and other expenditure is brought under effective control. Then the Community will be able to put its long internal debate behind it, and will have laid a firm foundation for its future development.

A great deal remains to be done. There are still important issues to be resolved in the accession negotiations over - for example - transitional arrangements in the industrial field: and there is also the problem over measures in force between Spain and Gibraltar with which you and I are both familiar.

I hope we can stay closely in touch on these and on any other problems which may arise in the months ahead.

Yours sincerely

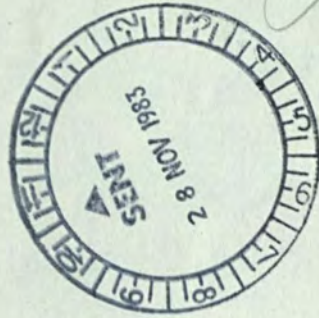
Raymond D. Butler

His Excellency Senor Don Felipe Gonzalez Marques

HERE, CORRECT NO

WITH DB

No 10



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OO FCO

RR GIBRALTAR

RR MADRID

RR UKREP BRUSSELS

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CONFIDENTIAL

FM NEW DELHI 280615Z NOV 83

TO IMMEDIATE FCO LONDON

TELEGRAM NUMBER 969 OF 28 NOVEMBER 1983

INFO ROUTINE GOVERNOR OF GIBRALTAR, MADRID, UKREP BRUSSELS.

FOLLOWING FROM PRIVATE SECRETARY TO THE PRIME MINISTER.

YOUR TELS NOS 908, 909 AND 910 OF 25 NOVEMBER : SPAIN AND THE EC : LETTER FROM THE SPANISH PRIME MINISTER.

2. THE PRIME MINISTER HAS APPROVED A REPLY TO THE SPANISH PRIME MINISTER AND AGREES THAT MR. RIFKIN SHOULD DELIVER THE TEXT WHEN HE VISITS MADRID ON 30 NOVEMBER:

3. THE TEXT OF THE PRIME MINISTER'S LETTER IS AS FOLLOWS:

ECO(=)
SED
NEWS
No/10.

PS
PS/OR RIFKIN
PS/LADY YOUNG
PS/PUS
SIR J BULLARD
SIR C TICKELL
MR HANWAY
MR JENKINS.

IMMEDIATE

ADVANCE COPY

DEAR PRIME MINISTER.

THANK YOU FOR YOUR LETTER OF 13 NOVEMBER. IT IS MOST HELPFUL TO HAVE THIS CLEAR AND CONSTRUCTIVE EXPRESSION OF SPAIN'S INTENTIONS AND WISHES AS WE PREPARE FOR THE EUROPEAN COUNCIL AT ATHENS NEXT MONTH.

I WELL UNDERSTAND THE FEELINGS THAT HAVE PROMPTED YOU TO WRITE. BRITAIN SUPPORTS SPAIN'S ACCESSION AND I WELCOME AND SHARE YOUR DETERMINATION THAT SPAIN SHOULD PARTICIPATE AS A MEMBER OF THE COMMUNITY IN ITS FUTURE DEVELOPMENT. THE PATH TO MEMBERSHIP, AS THIS COUNTRY HAS REASON TO KNOW, IS A LONG AND OFTEN FRUSTRATING ONE. BUT IT IS ENCOURAGING THAT THE WAY IS NOW OPEN TO BEGIN SERIOUS NEGOTIATIONS WITH SPAIN ON AGRICULTURAL TRANSITION ARRANGEMENTS, SOMETHING FOR WHICH WE HAVE LONG BEEN PRESSING.

I THEREFORE HOPE, LIKE YOU, THAT YOUR NEGOTIATIONS, AND THOSE OF PORTUGAL, WILL BE COMPLETED IN THE COMING YEAR, SO THAT SPAIN AND PORTUGAL MAY ENTER THE COMMUNITY ON 1 JANUARY 1986. WE SHALL CONTINUE TO DO ALL WE CAN TO MAKE THIS POSSIBLE.

THE ATHENS SUMMIT WILL, I BELIEVE, BE OF CRUCIAL IMPORTANCE TO THE FUTURE AS WELL AS THE PRESENT MEMBERS OF THE EUROPEAN COMMUNITY. DECISIONS NEED TO BE TAKEN ON THE FUTURE FINANCIAL REQUIREMENTS OF THE COMMUNITY. THESE DECISIONS WILL NEED TO ENSURE THAT NO MEMBER STATE IS ASKED TO BEAR A FINANCIAL BURDEN DISPROPORTIONATE TO ITS MEANS, AND THAT AGRICULTURAL AND OTHER EXPENDITURE IS BOUGHT UNDER EFFECTIVE CONTROL. THEN THE COMMUNITY WILL BE ABLE TO PUT ITS LONG INTERNAL DEBATE BEHIND IT, AND WILL HAVE LAID A FIRM FOUNDATION FOR ITS FUTURE DEVELOPMENT.

A GREAT DEAL REMAINS TO BE DONE. THERE ARE STILL IMPORTANT ISSUES TO BE RESOLVED IN THE ACCESSION NEGOTIATIONS OVER - FOR EXAMPLE - TRANSITIONAL ARRANGEMENTS IN THE INDUSTRIAL FIELD: AND THERE IS ALSO THE PROBLEM OVER MEASURES IN FORCE BETWEEN SPAIN AND GIBRALTAR WITH WHICH YOU AND I ARE BOTH FAMILIAR.

I HOPE WE CAN STAY CLOSELY IN TOUCH ON THESE AND ON ANY OTHER PROBLEMS WHICH MAY ARISE IN THE MONTHS AHEAD.'

WADE-GERY

TEXT OF LETTER FROM THE PRIME MINISTER TO THE PRIME MINISTER OF SPAIN

Dear Prime Minister,

Thank you for your letter of 13 June.

As you know, we have consistently given our full support to the Spanish membership of the Community and pressed for early progress in the accession negotiations. I can assure you that we shall continue, though we have also made it clear that before accession can come about, the restrictions on Gibraltar will have to be lifted.

In particular, we want to see the long drawn-out internal negotiations on the Mediterranean agricultural regime brought quickly to a conclusion so that progress can be made on the agricultural aspects of the negotiations. I well understand how important this is for you, and I shall be pressing for this at Stuttgart.

Yours sincerely,

MARGARET THATCHER

PRIME MINISTER

LETTER TO THE SPANISH PRIME MINISTER

Just before you left London you received a letter from the Spanish Prime Minister about Spanish accession to the European Community. The text of his letter (which has been sent to all EC Heads of Government) is attached. It has been released to the press and we have been warned that the replies will also be published. The purpose of the Spanish letter is to flush out the French, whom they rightly see as the main obstacle to progress in negotiations.

Malcolm Rifkind is going to Madrid on 30 November for talks on Spanish accession. He believes that it would be a considerable advantage to take with him your reply.

The Foreign Secretary recommends that we should send a reply which will be regarded by Spain as "positive". Spanish irritation with the French is working to our advantage. We are, as a result, in the running to supply the Spanish Armed Forces with Rapier to the tune of £172 million (a contract which the French thought they had secured).

The only problem in sounding positive is Gibraltar. In the reply which it is proposed you should send, and which is attached, there is a very brief reference to Gibraltar. The advice is that there is no need to reiterate our position on Gibraltar in this letter because in a letter which you sent to Senor Gonzalez on 17 June you said that "we have also made it clear that before accession can come about the restrictions upon Gibraltar will have to be lifted". That is clearly still our position but it would not be wise to refer in the present letter to the earlier one because the earlier one has never been published in Spain and if we now force the Spaniards to publish it we could expect a strongly adverse public reaction which would undo all the good we hope to achieve with the present letter.

Grateful to know whether you agree that Malcolm Rifkind may deliver the attached letter on 30 November?

27 November 1983

A. J. C.

Yes

File No. _____

OUTWARD

Security Classification
CONFIDENTIAL

Department _____

TELEGRAM

Precedence
IMMEDIATE

Drafted by
(Block Capitals) _____

Tel. Extn. _____

DESKBY _____ Z

FOR
COMMS. DEPT.
USE

Despatched

(Date) _____

POSTBY _____ Z

(Time) _____ Z

PREAMBLE

(Time of Origin) _____ Z(G.M.T.) (Restrictive Prefix) _____

(Security Class.) _____ (Caveat/ Privacy Marking) _____

(Codeword) ROUTINE PERSONAL (Deskby) _____ Z

TO IMMEDIATE FCO Tel. No. _____ of _____
(precedence) (post)

AND TO (precedence/post) _____

AND SAVING TO _____

REPEATED TO (for info) GOVERNOR OF GIBRALTAR, MADRID, UKREP, BRUSSELS

SAVING TO (for info) _____

Distribution:-

[TEXT]

Following from Private Secretary to the Prime Minister. Your Tels Nos 908, 909 and 910 of 25 November: Spain and the EC: letter from the Spanish Prime Minister.

The Prime Minister has approved a reply to the Spanish Prime Minister and agrees that Mr. Rifkind should deliver the text when he visits Madrid on 30 November.

The text of the Prime Minister's letter is as follows:

"Thank you for your letter of 18 November. It is most helpful to have this clear and constructive expression

Copies to:-

/ of

of Spain's intentions and wishes as we prepare for the European Council at Athens next month.

I well understand the feelings that have prompted you to write. Britain supports Spain's accession and I welcome and share your determination that Spain should participate as a Member of the Community in its future development. The path to membership, as this country has reason to know, is a long and often frustrating one. But it is encouraging that the way is now open to begin serious negotiations with Spain on agricultural transitional arrangements, something for which we have long been pressing.

I therefore hope, like you, that your negotiations, and those of Portugal, will be completed in the coming year, so that Spain and Portugal may enter the Community on 1 January 1986. We shall continue to do all we can to make this possible.

The Athens Summit will, I believe, be of crucial importance to the future as well as the present Members of the European Community. Decisions need to be taken on the future financial requirements of the Community. These decisions will need to ensure that no Member State is asked to bear a financial burden disproportionate to its means, and that agricultural and other expenditure is brought under effective control. Then the Community will be able to put its long internal debate behind it, and will have laid a firm foundation for its future development.

A great deal remains to be done. There are still important issues to be resolved in the accession negotiations over - for example - transitional arrangements in the industrial field: and there is also the problem over measures in force between Spain and Gibraltar with which you and I are both familiar.

I hope we can stay closely in touch on these and on any other problems which may arise in the months ahead."

NOTHING TO BE WRITTEN IN THIS MARGIN

LUK 736/25
FDW F 38/225

IMMEDIATE

RECEIVED
BRITISH HIGH COMMISSION
NEW DELHI
CHANCERY REGISTRY
26 NOV 1983
DUPLICATES

OF LETTERS
OF ENCLOSURES
LOCATION

CLASSIFIED

TOP COPY
ONLY

See T 191A/83 of 18.11.83

OO NEW DELHI
GRS 791
RESTRICTED
FM F C O 251615Z NOV 83
TO IMMEDIATE NEW DELHI
TELEGRAM NUMBER 910 OF 25 NOVEMBER
FOR PS/PM FROM PS.

FOLLOWING TELEGRAM NOW REPEATED TO YOU AT REQUEST OF DEPT WAS
RECEIVED FROM MADRID TELNO 631 OF 18/11

INFO IMMEDIATE UKREP BRUSSELS
INFO SAVING EC POSTS, LISBON

SPAIN/EC: MESSAGE FROM GONZALEZ TO COMMUNITY HEADS OF GOVERNMENT
1. OUR TRANSLATION OF GONZALEZ'S MESSAGE TO COMMUNITY HEADS OF
GOVERNMENT IS GIVEN BELOW. ORIGINAL (IN SPANISH) ADDRESSED TO
PRIME MINISTER FOLLOWS BY BAG.

" DEAR PRIME MINISTER,

THE SIX YEARS WHICH HAVE PASSED SINCE SPAIN PRESENTED ON 28 JULY
1977 ITS REQUEST TO ACCEDE TO THE EUROPEAN COMMUNITY HAVE SHOWN
THAT THE OBSTACLES WHICH IMPEDE THE NEGOTIATIONS DERIVE
FUNDAMENTALLY FROM THE PROBLEMS WITH WHICH THE COMMUNITY IS FACED
INTERNALLY.

CONSCIOUS OF THIS SITUATION THE EUROPEAN COUNCIL HAS ADDRESSED THESE
PROBLEMS AT SUCCESSIVE MEETINGS IN ORDER TO TRY, AT THE HIGHEST
LEVEL, TO PUSH FORWARD BOTH THE INTERNAL REFORM OF THE COMMUNITY AND
ENLARGEMENT.

AT ITS MEETING IN STUTTGART LAST JUNE THE EUROPEAN COUNCIL TOOK
A MOST IMPORTANT DECISION IN THIS RESPECT IN AGREEING THAT "THE
ACCESSION NEGOTIATIONS WITH SPAIN AND PORTUGAL WILL BE PURSUED
WITH THE OBJECTIVE OF CONCLUDING THEM SO THAT THE ACCESSION
TREATIES CAN BE SUBMITTED FOR RATIFICATION WHEN THE RESULT OF THE
NEGOTIATING CONCERNING THE FUTURE FINANCING OF THE COMMUNITY
IS SUBMITTED".

THE STUTTGART SUMMIT THUS ESTABLISHED A CONNEXION BETWEEN BOTH
PROCESSES SO THAT THENCE FORWARD AN AUTHENTIC REFORM OF THE COMMUNITY
HAS BEEN INCONCEIVABLE WITHOUT THE SIMULTANEOUS ACHIEVEMENT OF
ENLARGEMENT. IN SHORT, FROM STUTTGART ONWARDS, A SOLUTION TO THE
CRISIS WITHIN THE COMMUNITY AND ENLARGEMENT HAVE FORMED TWO ASPECTS
OF THE SAME POLITICAL PROJECT: THE ESSENTIAL RE-LAUNCHING OF THE
TASK OF THE CONSTRUCTION OF EUROPE.

THE PRINCIPAL PROOF OF THE WILLINGNESS OF COMMUNITY COUNTRIES TO
UNDERTAKE THE CONSTRUCTION OF EUROPE LIES PRECISELY IN THEIR
ABILITY TO BRING ABOUT THE ENLARGEMENT OF THE COMMUNITY BY
INCLUDING THOSE EUROPEAN COUNTRIES WHICH, LIKE SPAIN, WISH TO PLAY
A FULL PART IN THIS HISTORIC TASK.

ON REPEATED OCCASIONS THE SPANISH GOVERNMENT HAS INDICATED THAT IT CONSIDERS ACCESSION TO THE COMMUNITY AS A PRIORITY OBJECTIVE IN ITS FOREIGN POLICY. THIS VIEW IS SHARED BY THE SPANISH PARLIAMENT WHICH HAS LIKEWISE INDICATED THAT IT REGARDS SPANISH INTEGRATION INTO THE COMMUNITY AS AN AFFAIR OF STATE (ASUNTO DE ESTADO IE A MATTER OF THE HIGHEST IMPORTANCE). FOR ITS PART MY GOVERNMENT EXPECTS THAT MEMBER STATES AND COMMUNITY INSTITUTIONS WILL ADOPT A CLEAR POSITION WHICH WILL PERMIT WITHIN A REASONABLE SPACE OF TIME THE INTEGRATION OF SPAIN INTO THE COMMUNITY. THE CONTRARY WOULD REPRESENT A GRAVE HISTORIC RESPONSIBILITY BY THE COMMUNITY TOWARDS THE SPANISH PEOPLE. YOU MAY REST ASSURED THAT SPAIN WILL NOT GIVE UP ITS LEGITIMATE ASPIRATION TO TAKE PART IN THE CONSTRUCTION OF EUROPE. NEVERTHELESS, AS PRIME MINISTER OF SPAIN, I AM CONCERNED THAT FRUSTRATION IS SPREADING AMONG PUBLIC OPINION IN MY COUNTRY TO THE POINT WHERE SERIOUS DOUBTS ARE ENTERTAINED AS TO WHETHER THERE EXISTS A GENUINE POLITICAL WILL ON THE PART OF THE COMMUNITY THAT THE PROCESS OF ENLARGEMENT SHOULD BE COMPLETED.

FOR THIS REASON AND GIVEN THE PROXIMITY OF THE EUROPEAN COUNCIL IN ATHENS, I HAVE DECIDED TO APPROACH YOU IN ORDER TO LEARN EXACTLY WHAT IS THE POSITION OF YOUR GOVERNMENT AS REGARDS THIS QUESTION AND TO WHAT EXTENT I MAY EXPECT FROM THE NEXT SUMMIT A POSITIVE REPLY.

I TRUST THAT THE EUROPEAN COUNCIL AT ATHENS WILL, IN OVERCOMING THE EXISTING DIFFICULTIES, TAKE THE DECISIONS WHICH WILL ALLOW THE ACCESSION NEGOTIATIONS TO BE CONCLUDED IN THE COURSE OF NEXT YEAR AND THUS PERMIT OUR INTEGRATION INTO THE COMMUNITY TO BE COMPLETED DEFINITELY BY 1 JANUARY 1986.

FOR MY PART I BELIEVE THE TIME HAS COME TO PUT INTO PRACTICE THE REPEATED MANIFESTATIONS OF POLITICAL WILL MADE BY COMMUNITY INSTITUTIONS AT THE HIGHEST LEVEL.

I SHOULD IN ANY EVENT BE GRATEFUL IF YOUR REPLY WERE AS FRANK AND AS PRECISE AS POSSIBLE. I WISH TO KNOW WITH CLARITY THE ATTITUDE OF EACH OF THE GOVERNMENTS OF THE COMMUNITY IN ITS TOTALITY IN ORDER TO BE ABLE TO INFORM THE SPANISH PEOPLE IN GOOD TIME AND IN THIS CONNEXION TO TAKE THE DECISIONS WHICH WILL SHOW THEMSELVES TO BE REQUIRED. ACCEPT, PRIME MINISTER, THE ASSURANCE OF MY HIGHEST CONSIDERATION FELIPE GONZALEZ''

2. IDENTICAL MESSAGES HAVE BEEN SENT TO THE HEADS OF GOVERNMENT OF OTHER COMMUNITY COUNTRIES. WE UNDERSTAND THAT THE SPANISH EMBASSY IN LONDON WILL ALSO HAVE DELIVERED A COPY TO NO10 DOWNING TREET.

3. THE FACT THAT THE MESSAGE HAS BEEN DESPATCHED - AND THE TEXT- WILL BE RELEASED TO THE SPANISH PRESS THIS EVENING.

HOWE

NNNN

LUK 748

FDW G 232/25

BRI ... N

26 NOV 1983

TOP COPY ONLY

IMMEDIATE
CONFIDENTIAL

OF LETTER
OF ENCLOSURES
LOCATION

OO NEW DELHI
GRS 397
CONFIDENTIAL

FM FCO 251620T NOV 83

TO IMMEDIATE NEW DELHI

TELEGRAM NUMBER 909 OF 25 NOVEMBER

INFO ROUTINE PERSONAL GOVERNOR GIBRALTAR, MADRID, UKREP BRUSSELS.
FOLLOWING FOR PRIVATE SECRETARY TO THE PRIME MINISTER.

SPAIN AND THE EC: LETTER FROM THE SPANISH PRIME MINISTER.

1. MIPT: FOLLOWING IS DRAFT REPLY:

2. 'THANK YOU FOR YOUR LETTER OF 18 NOVEMBER. IT IS MOST HELPFUL FOR MY COLLEAGUES AND I TO HAVE THIS CLEAR AND CONSTRUCTIVE EXPRESSION OF SPAIN'S INTENTIONS AND WISHES AS WE PREPARE FOR THE EUROPEAN COUNCIL AT ATHENS NEXT MONTH.

I WELL UNDERSTAND THE FEELINGS THAT HAVE PROMPTED YOU TO WRITE. BRITAIN SUPPORTS SPAIN'S ACCESSION AND I WELCOME AND SHARE YOUR DETERMINATION THAT SPAIN SHOULD PARTICIPATE AS A MEMBER OF THE COMMUNITY IN ITS FUTURE DEVELOPMENT. THE PATH TO MEMBERSHIP, AS THIS COUNTRY HAS REASON TO KNOW, IS A LONG AND OFTEN FRUSTRATING ONE. ~~BUT, I HAVE BEEN ENCOURAGED BY THE FACT THAT THE WAY IS NOW OPEN TO BEGIN SERIOUS NEGOTIATIONS WITH SPAIN ON AGRICULTURAL TRANSITIONAL ARRANGEMENTS, SOMETHING FOR WHICH WE HAVE LONG BEEN PRESSING.~~

IT IS ENCOURAGING

I THEREFORE HOPE, LIKE YOU, THAT YOUR NEGOTIATIONS, AND THOSE OF PORTUGAL, WILL BE COMPLETED IN THE COMING YEAR, OPENING THE WAY TO THE FULFILMENT OF YOUR OBJECTIVE AND PORTUGAL'S THAT YOUR COUNTRIES SHOULD ENTER THE COMMUNITY ON 1 JANUARY 1986. WE SHALL CONTINUE TO DO ALL WE CAN TO HELP MAKE THIS POSSIBLE.

THE ATHENS SUMMIT WILL, I BELIEVE, BE OF CRUCIAL IMPORTANCE TO THE FUTURE AS WELL AS THE PRESENT MEMBERS OF THE EUROPEAN COMMUNITY. DECISIONS NEED TO BE TAKEN ON THE FUTURE FINANCIAL REQUIREMENTS OF THE COMMUNITY. THESE DECISIONS WILL NEED TO ENSURE THAT NO MEMBER STATE IS ASKED TO BEAR A FINANCIAL BURDEN DISPROPORTIONATE TO ITS MEANS, AND THAT AGRICULTURAL AND OTHER EXPENDITURE IS BROUGHT UNDER EFFECTIVE CONTROL. THEN THE COMMUNITY WILL BE ABLE TO PUT ITS LONG INTERNAL DEBATE BEHIND IT, AND WILL HAVE LAID A FIRM FOUNDATION FOR ITS FUTURE DEVELOPMENT. ~~TO WHICH I LOOK FORWARD TO SEEING SPAIN AND PORTUGAL MAKE THEIR FULL CONTRIBUTION.~~

~~THERE REMAINS, OF COURSE, A GREAT DEAL TO BE DONE. THERE ARE STILL IMPORTANT ISSUES STILL REMAIN TO BE RESOLVED IN THE ACCESSION NEGOTIATIONS OVER - FOR EXAMPLE - TRANSITIONAL ARRANGEMENTS IN THE INDUSTRIAL FIELD: AND THERE REMAINS TOO THE PROBLEM OVER MEASURES IN FORCE BETWEEN SPAIN AND GIBRALTAR WITH WHICH YOU AND I ARE BOTH FAMILIAR.~~

I HOPE WE CAN STAY CLOSELY IN TOUCH ON THESE AND ON ANY OTHER PROBLEMS WHICH MAY ARISE IN THE MONTHS AHEAD.'

HOWE

NNNN

LUK 747

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RECEIVED
BRITISH HIGH COMMISSION
NEW DELHI
CHANCERY HOUSE
26 NOV 1983
DUPLICATE

IMMEDIATE

FDW G 0233/25

CONFIDENTIAL

OO NEW DELHI

GRS 520

CONFIDENTIAL

FM FCO 251616Z NOV 83

TO IMMEDIATE NEW DELHI

TEL NO 908 OF 25 NOVEMBER

SPAIN AND THE EUROPEAN COMMUNITY: LETTER FROM THE SPANISH PRIME MINISTER

FOLLOWING FOR PRIVATE SECRETARY TO PRIME MINISTER FROM PRIVATE SECRETARY

1. MR RIFKIND WILL BE GOING TO MADRID ON 30 NOVEMBER FOR TALKS ON SPANISH ACCESSION. HE BELIEVES, AS DOES HMA MADRID, THAT THERE WOULD BE CONSIDERABLE ADVANTAGE WERE HE ABLE TO TAKE WITH HIM THE TEXT OF THE PRIME MINISTER'S REPLY TO SR GONZALEZ WHICH YOU REQUESTED IN YOUR LETTER OF 18 NOVEMBER: DRAFT IS IN MIFT.

2. SR GONZALEZ HAS WRITTEN IN IDENTICAL TERMS TO ALL EC HEADS OF GOVERNMENT, FOLLOWING THE SIMILAR EXERCISE BY DR SOARES. THE TEXT HAS BEEN RELEASED TO THE PRESS AND WE HAVE BEEN WARNED THAT THE REPLIES WILL ALSO BE PUBLISHED. THE LETTER IS DESIGNED IN PARTICULAR TO FLUSH OUT THE FRENCH WHOM THE SPANIARDS RIGHTLY SEE AS THE MAIN OBSTACLE TO PROGRESS IN NEGOTIATIONS.

3. IT IS IN OUR INTERESTS TO SEND A REPLY WHICH WILL BE SEEN AS POSITIVE. SPANISH IRRITATION WITH THE FRENCH IS WORKING TO OUR ADVANTAGE. WE ARE AS A RESULT IN THE RUNNING TO SUPPLY THE SPANISH ARMED FORCES WITH GROUND TO AIR MISSILES (RAPIER, TO A VALUE OF PDS STG 171.5M), A CONTRACT WHICH THE FRENCH BELIEVED THEY HAD SEWN UP, AND NEGOTIATIONS ON THIS ARE AT A CRITICAL STAGE. THE CONTACTS INITIATED ON ISSUES RELATING TO GIBRALTAR AFTER THE FOREIGN AND COMMONWEALTH SECRETARY MET MORAN IN SEPTEMBER HAVE JUST BEGUN, AND THE ATMOSPHERE IS GOOD.

4. AS REGARDS THE SUBJECT MATTER OF THE ACCESSION NEGOTIATIONS, WE NEED HAVE LITTLE DIFFICULTY IN SOUNDING AS POSITIVE AS THE SPANIARDS COULD WISH. THE ONLY PROBLEM ARISES OVER GIBRALTAR. WHEN THE PRIME MINISTER LAST WROTE TO SR GONZALEZ ON 17 JUNE, IN REPLY TO A LETTER HE SENT HER ON 13 JUNE IN ADVANCE OF THE STUTTGART SUMMIT, SR MORAN'S DISASTROUS VISIT WAS ONLY JUST BEHIND US AND THE REFERENCE TO GIBRALTAR WAS A FAIRLY SHARP ONE:

'AS YOU KNOW, WE HAVE CONSISTENTLY GIVEN OUR FULL SUPPORT TO SPANISH MEMBERSHIP OF THE COMMUNITY AND PRESSED FOR EARLY PROGRESS IN THE ACCESSION NEGOTIATIONS. I CAN ASSURE YOU THAT WE SHALL CONTINUE TO DO SO, THOUGH WE HAVE ALSO MADE IT CLEAR THAT BEFORE ACCESSION CAN COME ABOUT THE RESTRICTIONS ON GIBRALTAR WILL HAVE TO BE LIFTED'. HER REPLY TO SR GONZALEZ'S LATEST LETTER WILL HAVE TO TAKE INTO ACCOUNT PROBABLE PUBLICATION IN BALANCING TWO CONFLICTING REQUIREMENTS:

- TO GIVE THE SPANIARDS NO SCOPE FOR INFERRING THAT THE SUBSTANCE OF OUR POSITION HAS CHANGED;
- TO REFLECT AND PROMOTE THE IMPROVEMENT IN THE ATMOSPHERE OF ANGLO-SPANISH EXCHANGES ON THIS SUBJECT.

5. THE DRAFT REPLY IN MIFT THEREFORE REFERS BACK TO THE PRIME MINISTER'S EARLIER LETTER OBLIQUELY AND WITHOUT REPEATING ALL OF ITS LANGUAGE. DIRECT REFERENCE TO THE EARLIER LETTER HAS BEEN AVOIDED: THE SPANIARDS DID NOT RELEASE IT AT THE TIME, AND IF WE NOW FORCED THEM TO DO SO (EVEN AS BACKGROUND) WE COULD EXPECT A STRONGLY ADVERSE PUBLIC REACTION WHICH COULD NEGATE THE POSITIVE EFFECT OF THE PRESENT REPLY.

6. IF THE PRIME MINISTER AGREES, IT WOULD BE HELPFUL TO HAVE THE TEXT OF HER REPLY BY 1400Z ON 28 NOVEMBER.

7. MADRID TELNO 631, GIVING THE TEXT OF THE GONZALEZ LETTER, IS BEING REPEATED TO YOU.

HOWE

NNNN

degs mt
WJ 25

WJ 25 Top copy ONLY
OK 24/11



CC HMT
NATF
CO

Hll

10 DOWNING STREET

From the Private Secretary

18 November 1983

Spanish accession to the European Community

RS
I enclose a copy of a message which the Ambassador of Spain delivered to No. 10 this afternoon.

I should be grateful if you could arrange to let me have a draft reply in due course.

I am copying this letter and enclosure to John Kerr (H.M. Treasury), Robert Lowson (Ministry of Agriculture, Fisheries and Food) and Richard Hatfield (Cabinet Office).

A. J. COLES

Roger Bone, Esq.,
Foreign and Commonwealth Office.

SUBJECT

cc master
EPS



24 BELGRAVE SQUARE
LONDON SW1X 8QA

SPANISH AMBASSADOR

18th November 1983

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 191^A/83

Dear Mr. Butler,

I enclose the text of a message from the President of the Spanish Government, Don Felipe González, that is being handed to the British Ambassador in Madrid at this moment, which I have been instructed to forward to the Prime Minister without delay.

I should be most grateful, therefore, if you would kindly ensure that this is handed to Mrs Thatcher as soon as possible.

Very sincerely

Jose J. Puig de la Bellacasa
JOSE J. PUIG DE LA BELLACASA

Mr F.E.R. Butler,
Principal Private Secretary to the Prime Minister,
Downing Street,
LONDON SW1.

Madrid, 18th November 1983.

Dear Prime Minister,

The six years that have elapsed since the 28th July 1977, when Spain presented her request to accede to the European Community, have shown clearly that the obstacles which have arisen during the negotiations are basically derived from the problems that exist within the Community itself.

Aware of this situation, the European Council of Heads of State and Government have examined these problems at successive meetings, aiming to make an effort at the highest level to carry forward both the internal reform of the Community and its enlargement.

At the meeting held in Stuttgart last June, the European Council took an important decision on this point, when it agreed that the "negotiations for accession with Spain and Portugal should proceed with the aim of concluding them in such a manner that the Treaties of Accession might be submitted for ratification at the time that the results of the negotiations on the future financing of the Community are submitted".

The Stuttgart Summit, therefore, established a connection between these two processes, so that in future no thought can be given to the true reform of the Community without at the same time carrying out its enlargement. Briefly, as from Stuttgart the solution of the Community crisis and its enlargement are but two facets of the same political project: the necessary revitalising of the construction of Europe.

The best proof of the willingness of the Community Countries to build Europe lies precisely in their capacity to carry out its enlargement, including those European countries which, like Spain, wish to participate fully in this historic task.

The Spanish Government has repeatedly stated that the accession to the European Communities is a prime objective of its foreign policy. This opinion is shared by the General Cortes, which have also defined Spain's integration within the Community as a national matter.

My Government, therefore, looks to a clear attitude on the part of the Member States and of the Community Institutions which will make possible within a reasonable period of time Spain's integration into the European Communities. Anything else would be a grave historical responsibility on the part of the Community towards the Spanish people.

You may be sure that Spain will never renounce her legitimate aspiration to participate in the building of Europe. Nevertheless, as President of the Spanish Government I am concerned that frustration may take over my country's public opinion, which has serious doubts regarding the existence of a true political will on the part of the Community to see the completion of the Accession procedure.

For this reason, and due to the proximity of the European Council to be held in Athens, I have decided to write to you with the aim of establishing exactly the position of your Government on this matter, and to what extent I can look for a positive response at the forthcoming Summit.

I hope that in overcoming existing difficulties the Athens European Council will take decisions that will enable the negotiations for Accession to be concluded during the course of the coming year, and that in this way our integration within the Community may become a definite fact on the 1st January 1986.

For my part, I think the moment has arrived to give practical effect to the many expressions of political will made by the Community Members at the highest level.

In any event, I should be most grateful if your reply could be as frank and precise as possible. I wish to know clearly the attitude of each and every one of the Governments, and of the Community as a whole, in order that I may report with exactitude to the Spanish people and take the decisions that are shown to be necessary.

I avail myself, Prime Minister, of this opportunity to assure you of my highest consideration.

Estimada Señora Primer Ministro:

Los seis años que han transcurrido desde que el 28 de julio de 1977 España presentara su solicitud de adhesión a las Comunidades Europeas han puesto de manifiesto que los obstáculos con los que tropiezan las negociaciones se derivan fundamentalmente de los problemas que la Comunidad tiene plantados en su seno.

Consciente de esta situación el Consejo Europeo de Jefes de Estado y de Gobierno ha abordado estos problemas en reuniones sucesivas con el propósito de hacer un esfuerzo al más alto nivel para llevar adelante tanto la reforma interna de la Comunidad como su ampliación. En su reunión de Stuttgart en junio pasado el Consejo Europeo adoptó una trascendental decisión a este respecto al convenir que las negociaciones de adhesión con España y Portugal deberán proseguir con el fin de concluir las de forma tal que los tratados de adhesión puedan ser sometidos a ratificación en el momento que sean presentados los resultados de la negociación sobre la financiación futura de la Comunidad.

La Cumbre de Stuttgart por tanto estableció una conexión entre ambos procesos de modo que en adelante no puede pensarse en la realización de una auténtica reforma de la Comunidad sin que al propio tiempo se lleve a cabo su ampliación. En síntesis, a partir de Stuttgart la superación de la crisis comunitaria y la ampliación de la Comunidad no son sino dos facetas de un mismo proyecto político: El necesario relanzamiento de la construcción europea. Precisamente la mejor prueba de la voluntad de los países comunitarios de construir Europa radica en su capacidad de llevar a cabo la ampliación de la Comunidad incorporando a aquellos países europeos que como España desean participar plenamente en esta tarea histórica.

El Gobierno español en repetidas ocasiones ha manifestado que considera la adhesión a las Comunidades Europeas como un objetivo prioritario de su política exterior. Esta opinión es compartida por las Cortes Generales que han definido asimismo la integración de España en la Comunidad como un asunto de Estado.

../..

Mi Gobierno por ello espera una actitud clara por parte de los Estados miembros y de las instituciones comunitarias que haga posible en un plazo razonable de tiempo la integración de España en las Comunidades Europeas. Lo contrario representaría una grave responsabilidad histórica de la Comunidad respecto del pueblo español.

Puede Vd. tener la seguridad de que España no renunciará a su aspiración legítima de participar en la construcción de Europa. Sin embargo como presidente del Gobierno español me preocupa que la frustración se adueñe de la opinión pública de mi país que abriga serias dudas de que exista una auténtica voluntad política comunitaria de que se complete el proceso de adhesión.

Por este motivo y ante la proximidad del Consejo Europeo de Atenas he decidido dirigirme a Vd. con el fin de conocer exactamente cual es la posición de su Gobierno en torno a esta cuestión y en que medida puedo esperar una respuesta positiva de la próxima Cumbre. Confío que, superando las dificultades existentes, el Consejo Europeo de Atenas tome las decisiones que permita que las negociaciones de adhesión concluyan en el transcurso del próximo año y que de este modo nuestra integración en la Comunidad pueda tener su culminación definitiva el uno de enero de 1986.

Por mi parte creo llegada la ocasión de que se pongan en práctica las reiteradas manifestaciones de voluntad política hechas por las instancias comunitarias al más alto nivel.

En todo caso mucho le agradecería que su respuesta fuera lo más franca y precisa posible. Deseo conocer con claridad la actitud de cada uno de los Gobiernos y de la Comunidad en su conjunto al objeto de poder informar puntualmente al pueblo español y en este sentido adoptar las decisiones que se revelen como necesarias.

Aprovecho esta ocasión Señora Primer Ministro para reiterarle las seguridades de mi más alta consideración.

Subject cc Mates
of.



FILE

cc: FCO

rwj

10 DOWNING STREET

THE PRIME MINISTER

8 November, 1983

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T178/83

My dear Prime Minister,

Thank you for your letter of 31 October. I am glad to have this chance to reiterate the strength of British support for Portuguese accession and our determination to see democracy in Europe consolidated with the accession of your country to the European Community as soon as possible.

I sympathise with your sense of frustration at the sometimes slow and tortuous progress of your negotiations with the Community. These have in fact made considerable progress; I am particularly glad to see that, following the recent agreement among the Agriculture Ministers on the reform of arrangements for Mediterranean fruit and vegetables, the way is now clear for the Community to get down to serious discussion of the agricultural transitional arrangements with Portugal.

The post-Stuttgart negotiations are obviously of importance for Portugal, since these will change the Community for years to come. Our interest in an outcome which will ensure that no Member State is asked to bear a financial burden disproportionate to its means, and that agricultural expenditure is brought under effective control seems to me to coincide with points which you yourself have raised in your negotiations with the Community. We are doing all we can to bring these negotiations to an early and satisfactory conclusion, to put an end to the Community's internal debate and thus to lay a firm foundation for the essential task of enlargement.

/Like you,

rwj

Like you, we have always believed that the Portuguese and Spanish negotiations should be conducted entirely separately and on their respective merits. We share your hope that your negotiations will be completed during the first half of 1984, with the aim of signing a Treaty as soon as possible thereafter. We should like to see the Spanish negotiations brought to a successful conclusion in a similar timescale and we sympathise with the wish of both Spain and Portugal to enter the Community on 1 January, 1986. That is what we shall be working for.

Yours sincerely

Raymond Sheldrake

His Excellency Dr. Mario Soares

Portuguese Embassy,
11, Belgrave Square,
London, SW1X 8PP

London, 7th November 1983

Dear Mr. Coles

Further to my letter of 31st October, 1983, I have much pleasure in enclosing the original of the letter addressed by the Portuguese Prime Minister to Mrs. Thatcher.

Your sincerely
Jm^t M. de Macedo

J.M. de Macedo
Minister Counsellor

John Coles, Esq.,
Private Secretary (Overseas Affairs),
The Prime Minister's Office,
10 Downing Street,
London, S.W.1.

RESTRICTED



Foreign and Commonwealth Office

London SW1A 2AH

7 November 1983

John Taylor,

*OP
P22 type F
to PM.*

*7/10
h-a-*

Portugal and the European Community: Letter from the Portuguese
Prime Minister

I enclose a draft reply from the Prime Minister to Dr Soares's letter of 31 October, as requested in your letter of the same day.

Dr Soares's letter was expected; the Prime Ministers of Spain and Portugal apparently agreed after the Athens Summit of Socialist leaders that they should write to the Prime Ministers of all Member States to express their concern about the slow pace of the accession negotiations. We still await a letter from the Spanish Prime Minister; but the Portuguese Foreign Minister has also written to the Secretary of State. Dr Soares's letter, with its talk of Portugal pursuing alternative paths if frustrated in her aim of early Community membership reflects the line taken by the two Iberian Prime Ministers at Athens.

The draft reply is, I think, largely self-explanatory. We are not the real target of this lobbying exercise; the Portuguese know that we are among their staunchest supporters in the Community, and the Prime Minister's reply should reflect this. It need do little more than assure them of our continuing help, and remind them that getting the right solution to the post-Stuttgart negotiations is as much in their interest as in ours (under the present budget rules, Portugal could end up - though much the poorest member of the Community - as a net contributor). The Portuguese wish to wrap up the negotiations by mid-1984 is decidedly optimistic, but they can be left to find that out for themselves.

/I am

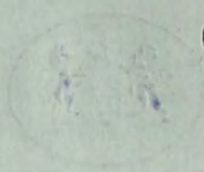
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Envo. Pol.: Enlargement of EC

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RESTRICTED



I am copying this letter and its enclosure to John Kerr in the Treasury and to Richard Hatfield in the Cabinet Office.

*Yours
R B Bone*

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

RESTRICTED

DRAFT: ~~XXXXX~~/letter/~~XXXXX~~/XXXXX/XXXXX

TYPE: Draft/Final 1+

FROM:

Reference

Prime Minister

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

HE.
 Dr Mario Soares
 Prime Minister of Portugal

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

Thank you for your letter of 31 October. I am glad to have this chance to reiterate the strength of British support for Portuguese accession and our determination to see democracy in Europe consolidated with the accession of your country to the European Community as soon as possible.

CAVEAT.....

I sympathise with your sense of frustration at the sometimes slow and tortuous progress of your negotiations with the Community. These have in fact made considerable progress; I am particularly glad to see that, following the recent agreement among the Agriculture Ministers on the reform of arrangements for Mediterranean fruit and vegetables, the way is now clear for the Community to get down to serious discussion of the agricultural transitional arrangements with Portugal.

Enclosures—flag(s).....

The post-Stuttgart negotiations are obviously of importance for Portugal, since these will change the Community for years to come. Our interest in an outcome which will ensure that no Member State is asked to bear a

/financial

financial burden disproportionate to its means, and that agricultural expenditure is brought under effective control seems to me to coincide with points which you yourself have raised in your negotiations with the Community. We are doing all we can to bring these negotiations to an early and satisfactory conclusion, to put an end to the Community's internal debate and thus to lay a firm foundation for the essential task of enlargement.

Like you, we have always believed that the Portuguese and Spanish negotiations should be conducted entirely separately and on their respective merits. We share your hope that your negotiations will be completed during the first half of 1984, with the aim of signing a Treaty as soon as possible thereafter. We should like to see the Spanish negotiations brought to a successful conclusion in a similar timescale and we sympathise with the wish of both Spain and Portugal to enter the Community on 1 January 1986. That is what we shall be working for.

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EP/NOV/1983/5

RESTRICTED



10 DOWNING STREET

From the Private Secretary

31 October 1983

PORTUGAL AND THE EUROPEAN COMMUNITY

8E1
I enclose a copy of a message which the Prime Minister has just received from the Prime Minister of Portugal. I should be grateful for a draft reply.

I am copying this letter and enclosure to John Kerr (HM Treasury) and Richard Hatfield (Cabinet Office).

A. J. COLES

Roger Bone, Esq.,
Foreign and Commonwealth Office.

Ry



10 DOWNING STREET

From the Private Secretary

31 October 1983

Thank you for your letter of 31 October enclosing a letter from the Prime Minister of Portugal to the Prime Minister.

I shall place the letter before the Prime Minister immediately. Mrs. Thatcher will, of course, reply as soon as possible.

A. J. COLES

Senhor Jose Maria A.S. de Lemos Macedo

Portuguese Embassy,
11, Belgrave Square,
London, SW1X 8PP

Subject cc Master
Ops.

Prime Minister.

(2)

A draft reply will follow.

A.J.C. 31/10

London, 31st October, 1983

ms

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T170/83

My Dear Prime Minister,

I am writing to you in order to raise again the subject of the accession of Portugal to the E.E.C., a subject, to which my Government attaches paramount importance and, consequently, of the next summit meeting in Athens.

On the 28th March 1977 I had the honour of presenting on behalf of the Portuguese Government, the formal demand of Portugal to join the European Economic Community.

The presentation of this request marked the end of an era of political and social agitation in Portugal and was in itself a clear affirmation of my country's new political and economic options.

Five years have elapsed since the solemn opening of negotiations on the 17th October 1978. I regret having to state my disappointment now for the lack of political will that led to the slackening of a process which at the start had the general support of the E.E.C. member states and did not present, already at that time, any unsurmountable difficulties for its conclusion. I must tell you that my disappointment is also shared by all the portuguese who believe in Europe and in its prominent role in the shaping of World economic and political realities.

.../...

We are well aware of the difficulties the Community has to face but we believe that they can easily be solved if the will to build a stronger Europe prevails over the narrow approach that makes the survival of great political designs dependent on short-term economic interests. As an old European nation, Portugal has the right to participate in the definition and resolution of all the problems which Europe will be confronted with. This is also, I think, in the interest of Europe.

We think that the reinforcement of the European idea cannot be achieved without the strengthening of the solidarity between the North and the South of Europe, through a dialogue that pays due attention to the peculiarities and the specific problems of the different parts of Europe. We think therefore that, although accepting that the accession of Portugal and Spain could be simultaneously effective, that is to say on the 1st of January 1986, Portugal's treaty of accession should be signed earlier than Spain's, and already during the first half of 1984, as the Portuguese dossiers do not present any difficulties for rapid conclusion. This would be the logical result of the separate consideration of each candidature and its appreciation on its own merits, in accordance with the provisions of the Treaty of Rome.

The Portuguese people are going through a period of restraint meant to overcome a serious economic crisis. It is our duty to show now to the Portuguese public opinion the new roads leading to the future, which cannot be actually defined if we do not know whether we can pursue the previously chosen trend which aimed at full E.E.C. membership or, failing that start in a different direction if Europe refuses us. It is now imperative to know if we are really going to join "Europe", under what conditions and when.

Every historical option has a proper time for its fulfilment. The time for the fulfilment of Portugal's European option is gradually coming to an end. It would be an error, in which we are not ready to incur, to further delay the necessary decisions in this matter. Portugal hopes that a decision

.../3

will be taken soon because we cannot lose the opportunity to start in a different direction.

We want to be part of a politically and economically coherent Europe, and therefore we are waiting for an unequivocal answer and steps forward from the E.E.C. countries. The Athens Summit and the subsequent months should bring forth the completion of this process.

Yours sincerely,

s) Mario Soares
Prime Minister of Portugal

The Rt. Hon. Margaret Thatcher, MP
Prime Minister,
10 Downing Street,
London, S.W.1.

Portuguese Embassy,
11, Belgrave Square,
London, SW1X 8PP

URGENT

London, 31st October, 1983

Dear Mr. Coles

Further to our telephone conversation, I enclose herewith a letter addressed by the Portuguese Prime Minister Senhor Mário Soares to your Prime Minister.

I would appreciate it very much if you would be kind enough to transmit its contents to the Prime Minister at your earliest convenience.

Yours sincerely
J.M. de Macedo

J.M. de Macedo
Minister Counsellor

John Coles, Esq.,
Private Secretary (Overseas Affairs),
The Prime Minister's Office,
10 Downing Street,
London, S.W.1.



CC MASTER
OPS

PRESIDÊNCIA DO CONSELHO DE MINISTROS

Gabinete do Primeiro Ministro

PRIME MINISTER'S

Lisbon, 28th October 1983.

PERSONAL MESSAGE

SERIAL No. T 169^A/83

Dear Prime Minister,

I am writing to you in order to raise again the subject of the accession of Portugal to the EEC, a subject, to which my Government attaches paramount importance and, consequently, of the next summit meeting in Athens.

On the 28th March 1977 I had the honour of presenting on behalf of the Portuguese Government, the formal demand of Portugal to join the European Economic Community.

The presentation of this request marked the end of an era of political and social agitation in Portugal and was in itself a clear affirmation of my country's new political and economic options.

Five years have elapsed since the solemn opening of negotiations on the 17th October 1978. I regret having to state my disappointment now for the lack of political will that led to the slackening of a process which at the start had the general support of the EEC member states and did not present, already at that time, any unsurmountable difficulties for its conclusion. I must tell you that my disappointment is also shared by all the

Her Excellency
Mrs. Margaret Thatcher
Prime Minister
LONDON

.../...



PRESIDÊNCIA DO CONSELHO DE MINISTROS

Gabinete do Primeiro Ministro

2.

Portuguese who believe in Europe and in its prominent role in the shaping of world economic and political realities.

We are well aware of the difficulties the Community has to face but we believe that they can easily be solved if the will to build a stronger Europe prevails over the narrow approach that makes the survival of great political designs dependent on short-term economic interests. As an old European nation, Portugal has the right to participate in the definition and resolution of all the problems which Europe will be confronted with. This is also, I think, in the interest of Europe.

We think that the reinforcement of the European idea cannot be achieved without the strengthening of the solidarity between the North and the South of Europe, through a dialogue that pays due attention to the peculiarities and the specific problems of the different parts of Europe. We think therefore that, although accepting that the accession of Portugal and Spain could be simultaneously effective, that is to say on the 1st of January 1986, Portugal's Treaty of Accession should be signed earlier than Spain's, and already during the first half of 1984, as the Portuguese dossiers do not present any difficulties for rapid conclusion. This would be the logical result of the separate consideration of each candidature and its appreciation on its own merits, in accordance with the provisions of the Treaty of Rome.

.../...



PRESIDÊNCIA DO CONSELHO DE MINISTROS

Gabinete do Primeiro Ministro

3.

The Portuguese people are going through a period of restraint meant to overcome a serious economic crisis. It is our duty to show now to the Portuguese public opinion the new roads leading to the future, which cannot be actually defined if we do not know whether we can pursue the previously chosen trend which aimed at full EEC membership or, failing that, start in a different direction if Europe refuses us. It is now imperative to know if we are really going to join "Europe", under what conditions and when.

Every historical option has a proper time for its fulfilment. The time for the fulfilment of Portugal's European option is gradually coming to an end. It would be an error, in which we are not ready to incur, to further delay the necessary decisions in this matter. Portugal hopes that a decision will be taken soon because we cannot lose the opportunity to start in a different direction.

We want to be part of a politically and economically coherent Europe, and therefore we are waiting for an unequivocal answer and steps forward from the EEC countries. The Athens Summit and the subsequent months should bring forth the completion of this process.

Please accept, dear Prime Minister, the expression of my highest consideration,

Mário Soares
Prime Minister



Foreign and Commonwealth Office

London SW1A 2AH

15 June 1983

Type letter pl.

AA 16/6.

New Spain.

Spain

I enclose a letter from the Prime Minister of Spain which the Spanish Ambassador has asked us to forward to the Prime Minister.

Sr Gonzalez's purpose in writing is to press for sufficient progress at Stuttgart on the Community's internal problems to unblock the Spanish accession negotiations; he is clearly thinking above all of agriculture, but he may also have his eye on an increase in own resources. The European Council may well decide to give a further strong injunction to Agriculture Ministers to complete their work on the Mediterranean regimes as a matter of urgency, but this is likely to fall well short of anything Sr Gonzalez would see as satisfactory, and our own role at Stuttgart may not be seen by the Spaniards as helpful. It may therefore make more sense to send a short courtesy reply now rather than after the European Council.

I enclose a draft reply from the Prime Minister to Sr Gonzalez.

I am copying this letter to Robert Lawson in MAFF and to Richard Hatfield in the Cabinet Office.

Yours ever
Robert Bone

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

LETTER

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:

Prime Minister

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Sr Don Felipe Gonzalez Marquez
Prime Minister of Spain

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

Thank you for your letter of 13 June.

CAVEAT.....

As you know, we have consistently given our full support to Spanish membership of the Community and pressed for early progress in the accession negotiations. I can assure you that we shall continue to do so, *though we have also made it clear that since this can come about the restrictions in fisheries will have to be lifted.*

In particular, we want to see the long drawn out internal negotiations on the Mediterranean agricultural regimes brought quickly to a conclusion so that progress can be made on the agricultural aspects of the negotiations. I well understand how important this is for you, and I shall be pressing for this at Stuttgart.

Enclosures—flag(s).....

SUBJECT

UNOFFICIAL TRANSLATION.-

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. 784^B/83

Madrid, 13th June 1983

Dear Prime Minister,

The six years that have elapsed since Spain made her application to accede to the European Community have served to highlight the difficulties and problems posed by the negotiations that should lead to my country's full membership of the European Institutions.

It is obvious that Spain's progress into Europe is being held up at present fundamentally by problems inside the Community. The European Council will look into possible solutions to these problems at its next meeting to be held shortly in Stuttgart.

I would like to state that the Government and the whole of the Spanish people have the desire and the political will to see these problems overcome. Public opinion in my country believes that the time has finally come for European Institutions to give a positive answer to an aspiration unanimously shared by the Spanish people.

My Government reaffirms that Spain's integration as a Western European country within the Communities constitutes the central prop of our foreign policy, as well as serving the process of building up Europe. With this in view, I would urge you, on my own behalf, and that of my Government, to see that the European Council meeting in Stuttgart makes every effort to arrive at the undertakings that are necessary for the swift advance of the process of Spanish accession so that it may reach its natural conclusion within a reasonable period of time.

I avail myself of this opportunity to renew to you the assurance of my highest consideration.

(Signed) FELIPE GONZALEZ

Her Excellency Margaret Thatcher,
Prime Minister of the United Kingdom.

DSG

SUBJECT
cc MASTER
OPS



file cc fco

10 DOWNING STREET

THE PRIME MINISTER

17 June 1983

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. 189/83

Dear Prime Minister,

Thank you for your letter of 13 June.

As you know, we have consistently given our full support to Spanish membership of the Community and pressed for early progress in the accession negotiations. I can assure you that we shall continue to do so, though we have also made it clear that before accession can come about the restrictions on Gibraltar will have to be lifted.

In particular, we want to see the long drawn out internal negotiations on the Mediterranean agricultural regimes brought quickly to a conclusion so that progress can be made on the agricultural aspects of the negotiations. I well understand how important this is for you, and I shall be pressing for this at Stuttgart.

Yours sincerely
Margaret Thatcher

Sr. Don Felipe Gonzalez Marquez.

SRP

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CONFIDENTIAL

LUK 804/27

OO DELHI

GRS 170

CONFIDENTIAL

FM FCO 271250Z NOV 1983

TO IMMEDIATE NEW DELHI

TELEGRAM NUMBER 922 OF 27 NOVEMBER

FOLLOWING FOR JOHN COLES FROM DUTY OFFICER NO 10

TEXT OF LETTER DATED 17 JUNE 1983 FROM PRIME MINISTER TO SR
DON FELIPE GONZALEZ MARQUEZ:

'DEAR PRIME MINISTER,

THANK YOU FOR YOUR LETTER OF 13 JUNE.

AS YOU KNOW, WE HAVE CONSISTENTLY GIVEN OUR FULL SUPPORT
TO SPANISH MEMBERSHIP OF THE COMMUNITY AND PRESSED FOR
EARLY PROGRESS IN THE ACCESSION NEGOTIATIONS. I CAN
ASSURE YOU THAT WE SHALL CONTINUE TO DO SO, THOUGH WE
HAVE ALSO MADE IT CLEAR THAT BEFORE ACCESSION CAN COME
ABOUT THE RESTRICTIONS ON GIBRALTAR WILL HAVE TO BE
LIFTED.

IN PARTICULAR, WE WANT TO SEE THE LONG DRAWN OUT
INTERNAL NEGOTIATIONS ON THE MEDITERRANEAN AGRICULTURAL
REGIMES BROUGHT QUICKLY TO A CONCLUSION SO THAT PROGRESS
CAN BE MADE ON THE AGRICULTURAL ASPECTS OF THE
NEGOTIATIONS. I WELL UNDERSTAND HOW IMPORTANT THIS IS
FOR YOU, AND I SHALL BE PRESSING FOR THIS AT STUTTGART.
YOURS SINCERELY, MARGARET THATCHER.'

HO WE

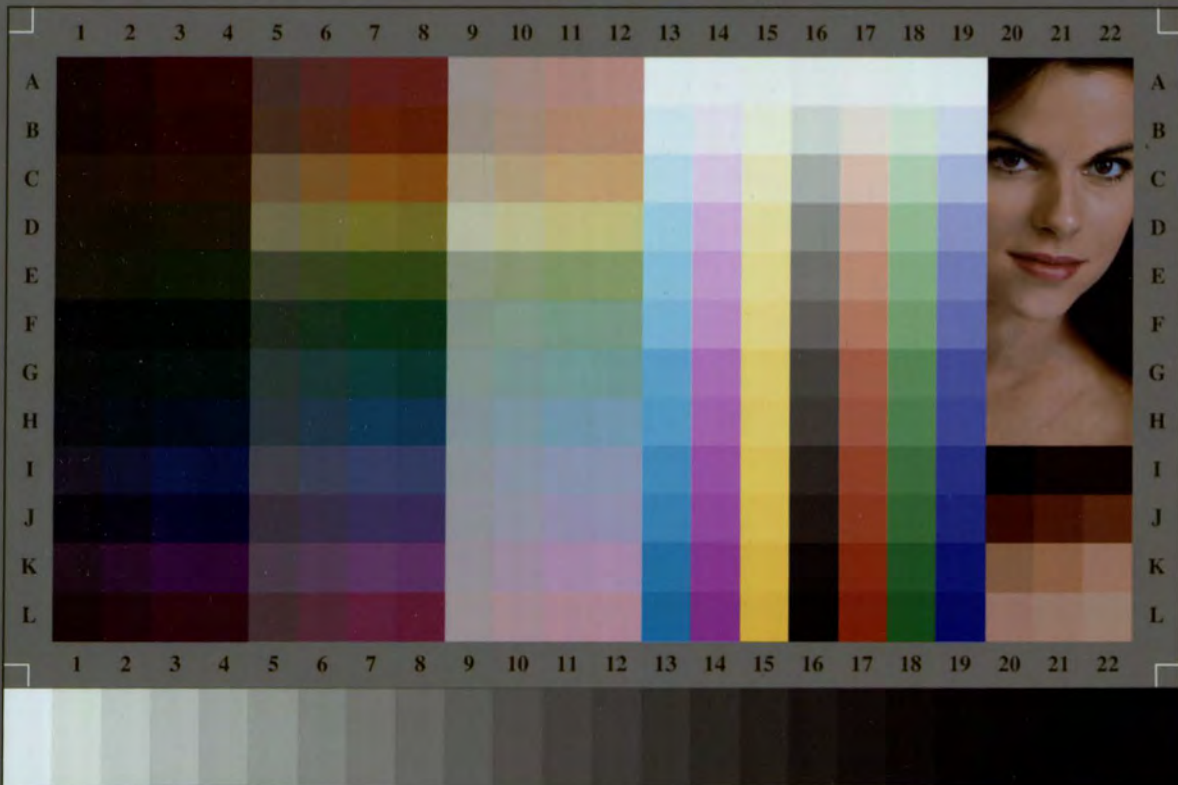
NN NN

PART 1 ends:-

AJE to Bone 10.3.83

PART 2 begins:-

PM of Spain (Gonzalez) to PM T84^B/83 13.6.83



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