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Subject on:  
SPAIN:  
Relations March 80



10 DOWNING STREET

From the Private Secretary

14 March 1985

Dear Sir,

PRIME MINISTER'S MEETING WITH THE SPANISH PRIME MINISTER  
ON WEDNESDAY 13 MARCH 1985

I enclose a record of the Prime Minister's meeting with the Spanish Prime Minister, while in Moscow for President Chernenko's funeral.

I am copying this letter and enclosure to Callum McCarthy (Department of Trade and Industry), Richard Mottram (Ministry of Defence) and Richard Hatfield (Cabinet Office).

Yours sincerely,  
A handwritten signature in cursive script, appearing to read 'C.D. Powell'.

C.D. POWELL

L.V. Appleyard, Esq.,  
Foreign and Commonwealth Office.

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RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND THE SPANISH  
PRIME MINISTER ON WEDNESDAY 13 MARCH 1985 AT THE BRITISH  
EMBASSY, MOSCOW

Present

Prime Minister  
Foreign Secretary  
Mr. C.D. Powell  
Mr. L.V. Appleyard

Senor Gonzalez  
Senor Westendorp  
Two officials

Senor Gonzalez said that he was very glad to be meeting at an important moment for Spain. When he had seen King Juan Carlos before he left, the King had insisted that he should press the Prime Minister to visit Spain. He very much hoped that this would be possible. The Prime Minister said she was grateful for this invitation and would see if dates could be found.

Senor Gonzalez said he was sure that both sides were very satisfied with the way the Gibraltar negotiating process had begun. The Prime Minister said she was very pleased. The Foreign Secretary said that he thought it helpful to work with Senor Moran since they understood and knew each other very well.

Senor Gonzalez said that his principal aim now was to express concern over the present state of the enlargement negotiations. He wanted to discuss the basic political issues, rather than to go into technical detail. 1985/86 would be key years for completing Spain's definition of its foreign policy, and for anchoring Spain to the West. His anxiety was that if a key element in this process, namely negotiations with the EC, fell away, it would be difficult to bring it to the right conclusion. He wanted Spain to be

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integrated into the Community and into the Western system of defence. Spanish public opinion still rejected the idea that Spain should belong to the Atlantic Alliance while being enthusiastic about Spain's joining the EC. These issues were separate but psychologically linked in the minds of many people. It would be difficult if his Government had to propose that Spain should continue in the Alliance without being able to offer the other part of the process: integration into the Community. Public opinion in Spain was fluctuating. Before, 60% of the people were against joining the Alliance, with 15% in favour. But now both figures fluctuated between 30% and 40%.

Senor Gonzalez continued that he was particularly concerned over the recent figures produced by the Commission, which showed that Spain would be a substantial net contributor to the EC, up to a value of 1% of GDP. This would mean that Spain would be making a per capita contribution of £300 for the privilege of joining, while remaining one of the poorest countries in the Community. He did not want to agree to accession on any terms now and have to come back later to negotiate all the arrangements once again. He was convinced that there was no problem which was insoluble. Next week would be a very important period. It was not an electoral problem from his standpoint. It was a fundamental question of Spain's role in the future.

The Prime Minister said that we wanted Spain to come into the Community, for the sake of having Spain in the Community, which was an ideal in itself. We also wanted to have Spain in NATO. We had fully supported Spanish accession from the very start. We believed that it was important for Spanish democracy, which was important in its turn for Western democracy. It was a question of the future quality of life in Spain. If we could get the EC negotiations successfully completed, then the NATO issue would come out all right.

On the net contribution point, the Prime Minister said that it was ridiculous to have Spain as a net contributor.

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But in fact Spain would need to negotiate the normal transitional arrangements to own resources. This had been foreseen. The Foreign Secretary said that the figures quoted by Senor Gonzalez were Commission calculations of the budgetary position for Spain without transitional arrangements. The latter would have to be negotiated in the usual way as the final component of the enlargement process. The Prime Minister added that, as the second largest net contributor to the Community, we had some sympathy for Spain's problems.

Senor Gonzalez said that he was not so much concerned with the purely budgetary aspect. The difficulty was that the Commission calculations represented what was on offer to Spain on the various substantive chapters of the accession negotiations. The budgetary calculation showed that the present offer did not take account of the realities of the Spanish economy. There would still have to be further negotiations on the CAP and fish. But it was clear that the Commission considered that the basic package involving all these issues would leave Spain as a net contributor, which showed that the impact of the package on Spain had not been properly calculated. The Foreign Secretary pointed out that Spain's budgetary position could not be finalised until all the substantive issues had been settled. But the figure produced by the Commission represented the calculations without the necessary corrective measures and without taking account of what would happen during the transitional period.

Senor Gonzalez repeated that the budgetary calculation nevertheless exposed the unfairness of the offer. On fish, Spain had 650 ships in EC waters in 1978. Seven years later they had only 329. They were being asked by the EC to reduce this figure still further. During these years Spain had increased its imports of fish from the Community by 700%. The Foreign Secretary pointed out that all Community countries had been obliged to undergo a major restructuring of their fishing industries. The Spanish fleet presented a particular problem, since it was 60% of the total of the Community fishing fleet.

The Prime Minister pointed out that the time for decision-making had arrived. We would like to see a settlement at the March Foreign Affairs Council. We could not renegotiate everything that had been negotiated so far. It was a time when fundamental political decisions would have to be taken. Delay would not work in Spain's favour, indeed it might well make things more difficult. Meanwhile it would be helpful if Senor Gonzalez could talk to Prime Minister Papandreou to try to make sure that the Greeks did not hold up the accession arrangements. The Community was basically valuable for the political advantages which it gave to Member States, both within Europe and internationally. She thought that most people understood this very well.

The meeting concluded with a brief discussion of Mr. Gorbachev. Senor Gonzalez asked the Prime Minister for her assessment. The Prime Minister said that he was intelligent, confident and open to discussion. But the fundamental problems of the Communist system had still not begun to be tackled. Essentially, the Soviet Government wanted economic development without providing the necessary economic incentives. Senor Gonzalez commented that they were scared to introduce greater economic incentives, since this could threaten the political system. The Prime Minister agreed, but pointed out that the Chinese had gone some way towards tackling this problem.

EDJ

14 March 1985