



C. F. - Euro ^{1.5} *EA*

*Original
CF. to note*

10 DOWNING STREET

THE PRIME MINISTER

20 June 1980

Dear Robin,

Thank you for your letter of 28 May about the costs of Greek, Spanish and Portuguese accession to the EEC.

While there is no disputing that enlargement will put added strain on the Community's finances, in some respects you were put on the wrong track in Brussels.

In fact, the Commission are sympathetic to Portuguese requests for pre-accession aid on a substantial scale, but this is unlikely to be acceptable to Member States, whose agreement is required. After accession Portugal is likely on present calculations to be only a marginal net beneficiary, unless specially generous arrangements are negotiated (which, again, of course, will need to be agreed by Member States).

Furthermore, most of the additional costs of enlargement will be borne by the CAP, not the Regional Fund, particularly in the case of Spain, and these costs will take several years to build up. The cost during 1981 and 1982 which will only be in respect of Greece will be small, and has been properly taken into account in planned expenditure and in calculating the refunds which are

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to be made to the UK. There is no question of the UK's rebates being nullified.

Greece's accession will not be 'entirely one-way', despite what your Commission interlocutor said. Greece may have administrative difficulty in implementing some Community regulations, and transitional arrangements have been negotiated to help with that. But right from the start Greece will begin to implement her main Community obligations, on trade liberalisation for example, and will by the end of the transitional period be implementing all the obligations of Community membership.

The Community is well aware of the problems which enlargement could cause. In particular, it is beginning to look at ways in which the CAP might be changed in order to keep down the costs of Mediterranean agriculture.

Finally we must not forget the political benefits of enlargement. We have all along accepted that there would be some economic price to pay for these. And we have made clear that the UK, for its part, sees no reason to delay the accession of Portugal and Spain because of the Community's internal situation, as some have recently suggested would be necessary.

Yours ever,

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Robin Maxwell-Hyslop, Esq., M.P.