

CONFIDENTIAL

Prime Minister

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There seems to me to be a good
deal in what Sir G. Howe says.

to Andrew 24/7

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

22 July 1980

The Rt. Hon. The Lord Carrington, KCMG, MC
Secretary of State for Foreign and Commonwealth
Affairs

Dear Peter

ENLARGEMENT

Recent statements by Giscard and Barre suggesting that there might be delay in expanding the Community to admit Spain and Portugal have prompted me to reflect on our own position. In our public statements the Government have emphasised our political commitment to the accession negotiations and I am sure that it was right to give the French no chance of sharing with us the odium of delay. Even so, I think that we should now reassess where our interests lie. For if, as I believe, UK interests would be likely to suffer from the accession of Spain and Portugal, then we should surely be ready to exploit opportunities for delay, even though concealing our intentions.

First, I think we need to consider the effect of the accession of Spain and Portugal on the forthcoming negotiations that will determine our net contribution to the Community Budget in 1982 and following years. It seems to me that enlargement is very likely to mean a less advantageous result. The other present Member States will be less sympathetic to our case for relief after accession because they will be incurring extra budgetary costs to finance the net receipts that Spain and Portugal will gain. Moreover the relative wealth of the UK will seem considerably greater: to be seventh out of twelve in terms of GNP per head is significantly different from being seventh out of nine.

The scope for relieving the UK problem by restructuring the Community Budget will be reduced by enlargement. The accession of three countries substantially less prosperous than the UK will make it extremely difficult for us to maintain even the modest net benefit from the Regional and Social Funds that we are present enjoy, let alone improve it. As far as the CAP is concerned, all

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three acceding states are likely to press for an extension to Mediterranean products of the general support arrangements for Northern products so that the task of controlling the CAP is likely to be harder after enlargement than before. Furthermore, a Community of twelve will inevitably be more diverse than a Community of nine and more special interests will need to be accommodated in the search for agreement on new Community policies. The institutional processes are likely to be even more cumbersome (unless the opportunity were taken to make a radical institutional reform - and I see no sign of that). Thus our chances of weighting Community policies in our favour are more likely to be reduced than enhanced.

In general, therefore, enlargement will increase our problems in getting a fair deal for the UK out of the Community arrangements.

These arguments constitute a strong case for making haste slowly over enlargement. I am not suggesting that we should go so far as to renege on our public commitment to an eventual Community of twelve. But we may find opportunities to hide behind the apparent French desire to slow down Spanish accession and, if so, I think that we should take them. We should also, in my view, try to avoid committing ourselves to a specific negotiating time-table for Spanish and Portuguese accession; this will be particularly important during 1981 because we hold the Presidency of the Community in the second half of that year. It would make no sense for us to accelerate the completion of a process which carries such substantial economic risks for the UK.

I understand that we have been giving assurances to the Spaniards and the Portuguese that the negotiations on budget restructuring, the reform of the CAP and their accession should proceed in parallel. This seems to me fine as a line to take with them and with our present Community partners. But our true undisclosed aim should surely be to ensure that we are satisfied that the Community is committed to arrangements for the Community Budget and the CAP that are consistent with British interests before the balance of interests within the Community is changed by Spanish and Portuguese membership.

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

GEOFFREY HOWE

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22 JUL 1980





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Prime Minister

FCS/80/133

CHANCELLOR OF THE EXCHEQUER

MS Phil
29/7

Enlargement

1. Thank you for your letter of 22 July.
2. It is true that the accession of Spain and Portugal to the Community could complicate matters for us, both as regards the negotiations to determine our net contribution to the Community Budget from 1982 onwards and as regards our efforts to relieve the UK problem through a restructuring of the Community Budget. At the moment it is not possible to see precisely to what extent the enlargement of the Community is likely to cause us problems in this respect. But I agree that it is a consideration which we should have firmly in mind and set against the general political benefits for Europe and the trade opportunities for the UK of Spanish and Portuguese membership. At the same time we should not forget that the early prospect of a community of twelve, in which they would be significant net contributors, is a factor tending to encourage the French to modify their ideas about changing the status quo in the Community, and that is in our interest.
3. As regards our deliberately slowing down the pace of the accession negotiations and avoiding commitment to a precise negotiating timetable, I think that events will suggest their own timetable and that in practice there is no need for us to adopt delaying tactics. There will clearly be a limit to the extent to which the Community can negotiate with Portugal and Spain about agriculture and the budget before it has decided on its own future arrangements in these fields. The Community has never been formally committed to the Spanish and Portuguese objective of entry on 1 January 1983 and, following the statement to both applicants made at the Ministerial meetings on 21 and 22 July, it is now more than ever clear to them that the

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Community is not committed to a precise timetable. I do not think that it is now a serious possibility that the Community will in the near future commit itself to such a timetable. I suggest, therefore, that the line we should take on this point during our Presidency next year can be considered nearer the time.

4. But, as you say, we are politically committed to these negotiations, and we cannot prevent Spain and Portugal from making a serious application to join the Community as they are entitled to do under Article 237 of the Treaty. Further, we do have a broad political interest in supporting democracy in both Spain and Portugal. But I do not believe that you would disagree with these points, and I feel quite confident that we can handle the matter flexibly, as you suggest.

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

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(CARRINGTON)

Foreign and Commonwealth Office
29 July 1980

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Ref. A02790

MR ALEXANDER

Guns Rd

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Prime Minister
To Mr

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Paul

ENLARGEMENT OF THE EC

The Prime Minister will have seen the exchange of minutes between the Chancellor of the Exchequer and the Foreign and Commonwealth Secretary.

2. We are preparing a paper to up date our best guess at the likely financial consequences of Spanish and Portuguese accession to the Community. This will be taken into account in our work on the restructuring of the Community budget. It will also highlight other significant issues which will need to be tackled during later stages of the accession negotiations. The paper should be ready in September.

3. I am sure Lord Carrington is right in saying that the progress of the negotiations will in any case be slow and the target date for the accession of the two countries of 1 January 1983 is unrealistic. With the French elections coming up there will be very little movement over the next few months, and there will be no need for the UK to do anything to slow the pace.

RIA

(ROBERT ARMSTRONG)

31 July 1980