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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.

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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.

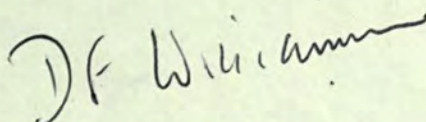
10. The question of trade-offs between industrial trade and other issues is bound to arise at the end of the discussion. Although we do not underrate the importance of the agricultural issues, the United Kingdom will have a considerable measure of protection as a result of the Fontainebleau agreement. 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