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CHANCELLOR OF THE EXCHEQUER

Enlargement of the Community: Timetable

1. I am grateful to you and other OPD(E) colleagues who commented on my minute of 11 June on enlargement of the Community. Since then, the Swedes have made their formal application, and there have been momentous events in the Soviet Union. It is too soon to say how these will affect the enlargement question: but one result may be to add the Baltic Republics to the list of those who aspire to membership in the longer term.
2. Colleagues generally endorsed the strategy I proposed. Despite certain disadvantages identified by colleagues, we are agreed that, on balance, membership of those EFTA countries who want to join should advance UK interests, and that we should use our Presidency to take their accession forward. Exactly what we can hope to achieve under our Presidency will depend on developments meanwhile. The Portuguese (who precede us) may want to make progress themselves. If so, we should support them. We might then start to tackle the detail of negotiating mandates during our own Presidency. I agree with Peter Lilley that we should privately warn the Finns and Norwegians of the dangers of their missing the first boat: indeed, I have already spoken on these lines to the Norwegian and Finnish Foreign Ministers.

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3. I agree with those colleagues who stressed that EFTAN accession will not be an uncovenanted blessing for the UK, and that admitting more neutral countries could jeopardise progress towards a more coherent European foreign policy. Neutrality has different origins and a different basis in all the countries concerned, and is anyway a fairly cloudy concept in 1991. But we will continue to make clear to the neutrals that they (like all other applicants) must be ready to take on all the obligations of membership, including full participation in the Common Foreign and Security Policy, and we will continue to insist that defence matters should remain with NATO and the Western European Union, and not be absorbed by an expanded CFSP or the "Union".

4. Accession by at least some EFTANS is, in any case, probably inevitable. So there is a double reason for welcoming the prospect, and working to strengthen and broaden our relationship with Austria, Sweden and other potential applicants before they join. The Germans will already be doing so: we should not leave the field to them. We have already won points for our support for the European Economic Area (EEA). We must exploit this further. In the run-up to accession, we must identify areas where we and individual EFTANS should be able to work closely together as members of the Community. Where we think we may disagree, we should start now to try to convince them of the merits of our case.

5. We are also agreed that we should continue to support membership for the Eastern Europeans when they can meet the economic and political conditions. It is certainly in our strategic and political interest to bind the newly liberated countries of Central and Eastern Europe into the West through holding out the prospect of

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membership - and ultimately through membership itself. But their accession would be expensive, and as Michael Howard and Kenneth Baker have pointed out, there would be problems in the field of immigration and labour policy.

6. The Southern applicants (Turkey, Cyprus and Malta) pose particular problems. I do not think any member state thinks early Turkish membership is a realistic prospect. But my recent visit to Ankara reinforced my view that we should work to deepen Turkey's relations with the Community, and not close the door completely on membership.

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I plan to consult OPD(E) colleagues further in due course on the handling of the southern tier applications.

7. You made the important point that enlargement could increase the centripetal pressures within the Community, and that we must try to counter this. I agree. I shall write separately about how we might do this.

8. Finally, our public presentation of the enlargement issue remains important. Peter Lilley noted that we should get the most out of our support for enlargement by taking a high public profile. We have already gained credit in EFTA countries and Eastern Europe for this, and

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should continue to do so. But we must temper our enthusiasm during the Inter-Governmental Conferences since other member states may suspect our motives. Nor do we wish to provoke the aspirations of Southern applicants.

8. I am sending copies of this minute to OPD(E) colleagues and to Sir R Butler.

DH.

(DOUGLAS HURD)

Foreign and Commonwealth Office

6 September 1991

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