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(letter only)

Prime Minister

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PRIME MINISTER

EC Enlargement

1. OD(E) discussed the implications of enlargement on 25 October. We agreed that I should report the outcome to you.
2. After a period of caution over public statements on the further enlargement of the Community, in recent months the Government have adopted a more forthcoming and positive line, particularly to encourage the Eastern European countries to move quickly towards stable, democratic and market-oriented systems of government. A readiness to countenance East European accessions implies a readiness to consider applications from EFTA countries. There is a growing view in Europe that the Community should not be an exclusive club, and that enlargement is inevitable. The prospect of enlargement is relevant to the forthcoming IGCs on EMU and political union. Now is a good moment to consider in more detail what enlargement might mean, what our objectives should be, and how our public line might be developed.
3. In OD(E) we agreed that enlargement in the direction of EFTA and, as they become ready, of the East Europeans is both inevitable and desirable, and should be encouraged. We also agreed that, given the Community's

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heavy workload up to 1992, we should maintain the Community consensus (which we helped to secure and which others show no wish to reconsider) that no applications should be considered before 1993.

4. Enlargement is of immediate relevance to the EMU debate, since the highly centralist approach of the Delors plan would make it harder for the East Europeans (and perhaps for some EFTA countries) to join: all the more reason to argue for our evolutionary, market-driven approach as the right way forward.

5. The implications for the CAP are important too. The Community impasse over GATT and agriculture illustrates the reluctance of our partners to consider reform. Some reforms will be essential if the GATT round succeeds. But the prospect of the accession of a series of countries with large agricultural sectors (and substantial scope for increased production) ought in due course to bring home to our partners that further reform will be inescapable if the costs of the CAP are not to cripple the Community.

6. Enlargement will involve costs as well as benefits. The Eastern Europeans will expect substantial financial help in adjusting to Community membership, in particular in building up their infrastructure. Colleagues also recognise that in areas such as social policy and the environment new accessions (particularly by Nordic countries) will increase the pressure for more extensive action at Community level, including more majority voting. This will have implications for domestic policy and for public expenditure.

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7. Turkey is in a category of its own. Colleagues recognised the need to keep the Turks in the Western camp, but believed that they could not be regarded as part of Europe geographically or culturally, and that Turkish membership of the Community would cause immense problems, [redacted] Privately other member states share this view. At a time when we are taking a positive general line on enlargement, the Turkish application will need sensitive handling. It underlines the desirability of our avoiding comment on the merits of particular accession bids, actual or potential. We shall have to find other forms of closer cooperation amounting to a special relationship in order to bind the Turks to the West.

8. We shall also need to look carefully at the implications of enlargement for population movement in Europe. East Europeans will be attracted in large numbers to the more prosperous West, and Britain will be one of the poles of attraction. When Spain and Portugal joined, the Community insisted on a long transitional period before allowing full free movement of workers. Similar arrangements may well be needed in due course for Eastern Europe.

9. Colleagues are clear that, notwithstanding the problems identified above, enlargement will be in Britain's overall interest. We should have no hesitation about putting the positive case publicly, provided that we are clear in our own minds about the likely costs and problems. It will be important not to

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do this in a way which suggests that our real motive is to slow down the development of the Community; this could encourage others to promote even faster integration (including more majority voting) before enlargement takes place. But it will be legitimate for us to point out the relevance of the prospect of enlargement to specific proposals under discussion in the two intergovernmental conferences.

10. Meanwhile we shall continue to make full public use of our determination that:

a. by next spring the EC/EFTA negotiations should result in the extension of the Single Market to EFTA countries on a basis which benefits the UK, the Community, and EFTA;

b. in the next few months the Community should conclude generous Association Agreements with Poland, Hungary and Czechoslovakia, as the most advanced of the reforming Eastern European countries.

11. In summary OD(E) concluded that:

- enlargement will be in our overall interest, though we should not overlook the problems it will bring;
- we can take the presentational high ground with our welcoming public line, while avoiding comment on the merits of particular applications;

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- where the prospect of enlargement is relevant to negotiations within the Community (for example on EMU or political union) we should present our arguments in a way which avoids enabling others to claim that our motive in supporting enlargement is to slow down the Community's development.

/ 12. I enclose my paper for the meeting and the minutes.

13. Copies of this minute go to the Lord President of the Council, the Chancellor of the Exchequer, the Home Secretary, Secretaries of State for Energy, Employment, Trade and Industry, Environment and Transport, Ministers of State for Agriculture, Fisheries and Food, and Foreign and Commonwealth Office, the Solicitor General and the Parliamentary Under-Secretary of State, Department of Social Security (who were at the meeting) and to Sir Robin Butler.

DH.

(DOUGLAS HURD)

Foreign and Commonwealth Office
31 October 1990

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