



atu

CONFIDENTIAL

FCS/92/012

CHANCELLOR OF THE EXCHEQUER

ENLARGEMENT OF THE COMMUNITY: TIMETABLE

1. I last minuted you and other OPD(E) colleagues on this issue on 6 September 1991. After the agreement at Maastricht, enlargement will be near the top of the Community's agenda in 1992. It will be prominent during our Presidency. *will request if required*
2. At our suggestion, the Maastricht European Council issued a declaration on enlargement. This confirmed the Community's openness to applications from all European democratic countries and agreed that accession negotiations "can start as soon as the Community has terminated its negotiations on Own Resources and related issues in 1992". This is an advance on the Community's previous position that there should be no accession negotiations until 1993 at the earliest, but we shall need to avoid any suggestion that preparatory work for accession negotiations should be postponed until after the own resources negotiations. It was also agreed at Maastricht that the Commission would produce a study on enlargement.
3. There are now five membership applications on the table: in order of application, Turkey, Austria, Cyprus, Malta and Sweden. Finland is likely to apply in early 1992, Norway may do so by the end of the year, and Switzerland has said that she will seek membership in due course. The Association Agreements signed recently with

CONFIDENTIAL



CONFIDENTIAL

Czechoslovakia, Poland and Hungary state the possibility of eventual membership for these countries. Other Eastern Europeans, the Baltic States, and some other republics of the former Soviet Union may seek membership in the longer term. The draft Treaty agreed at Maastricht requires that, once the Treaty has come into effect, an applicant must join the Common Foreign and Security Policy and Interior/Justice pillars as well as the Community.

4. OPD(E) colleagues agreed in correspondence over the summer, ending with my minute of 6 September, that we should aim to bring the EFTAn applicants into the Community as soon as possible. They share much of our own political tradition, and a broad commitment to the market. They should be law abiding, and will be net contributors. As such they will tend to support our approach to the Community, although - as noted in earlier correspondence - they will cause problems for us in certain areas, particularly in social policy, environment, and agriculture, and there may be fisheries complications. The European Economic Area agreement between the EC and EFTA is designed to extend the Community's Single Market to the EFTA countries from 1993. The European Economic Area even if amended to take account of objections raised by the European Court of Justice, covers a large part of the ground of an accession negotiation and will facilitate EFTAn membership of the Community.

5. The Council will, partly on the basis of the formal Commission Opinion on each individual application, decide in principle to proceed to an accession negotiation, and will invite the Commission to submit a draft negotiating mandate. Accession negotiations will be on the basis of

CONFIDENTIAL



CONFIDENTIAL

this negotiating mandate, once endorsed by the Council. In our view - which we are checking with the Commission and Council Legal Services - the assent of the European Parliament is also required before negotiations with the applicants can open. Other member states will probably also want an early sight of a study on enlargement which the Commission is preparing. We must encourage the Commission to produce it in time for discussion at the European Council in Lisbon, but discussion of this report is not a formal precondition of negotiations. We should try to avoid such linkage, though this will be difficult.

6. We are working closely with the Portuguese Presidency to ensure that the Commission produce quickly the outstanding Opinion on Sweden and on any other EFTAs who apply (those on Turkey and Austria have already issued), and that the European Parliament's assent is obtained if necessary. The way will then be clear for the Council (not necessarily the European Council at Lisbon) to ask the Commission to draw up draft mandates for negotiations with the EFTA countries. The sooner we have these on the table the better, so that we can seek Council agreement to them during our Presidency. We shall need to ensure - through full and early consultation in Whitehall - that the mandates reflect our national interests in particular sectors. Our tenure of the Presidency gives us the opportunity to influence both the timing of agreement on the mandates, and their content.

7. Agreement on the mandates under the UK Presidency would allow accession negotiations themselves to open in late 1992 or early 1993, provided the own resources negotiations had been concluded by then. We might be

CONFIDENTIAL



CONFIDENTIAL

able to launch negotiations formally at or before the European Council in Edinburgh in December 1992. Failing that, we would aim to have Edinburgh agree the negotiating mandates and set a date for negotiations to start in early 1993, perhaps also setting a target date for accession. Allowing up to a year to complete separate, parallel negotiations and a further year for ratification, the EFTAs might enter the Community in 1995.

8. This is an ambitious timetable. It could conceivably be accelerated, but is more likely to slip. We must do all we can to keep up the pace. We want the first EFTAs to have joined before the next Inter-Governmental Conference in 1996. If Finland applies early in 1992 as expected, she is likely to join with Sweden and Austria. Those EFTAs who have not applied by the middle of 1992 (probably Norway and Switzerland) will find it more difficult to catch the first train. If they do apply, we shall want their applications to be processed in parallel with those of Austria, Sweden and perhaps Finland. We should continue to make clear to them privately that whether and, if so, when to apply is a matter for them. They must draw their own conclusions from the timetable now envisaged. But if they were to apply, we would support them.

9. We are agreed that all three Southern applicants present difficult problems. Turkish accession is not on for the foreseeable future for economic, demographic and political reasons.

Temporarily Retained

THIS IS A COPY. THE ORIGINAL IS
RETAINED UNDER SECTION 3 (4)
OF THE PUBLIC RECORDS ACT

CONFIDENTIAL



CONFIDENTIAL

temporarily retained

THIS IS A COPY. THE ORIGINAL IS
RETAINED UNDER SECTION 3 (4)
OF THE PUBLIC RECORDS ACT

It will be important, if possible, for the Community to give the Southern applicants (and in particular, Turkey) a response which offers alternatives to membership; officials are considering various possibilities, and we may need a Ministerial discussion in due course.

10. The East Europeans are not yet ready for membership. But we must help them prepare. The Association Agreements with Poland, Czechoslovakia and Hungary, and the Association Agreements and the Trade and Cooperation Agreements under negotiation with the Baltic Republics and other Eastern European countries, will play an important part. The help which we are offering through the EC and the UK Know How Fund will also play an important role. Success in the GATT talks, and satisfactory reform of the CAP, will also be of direct relevance. The Community will also need to consider how best to develop relations with the newly independent Republics of Yugoslavia. As for the other Eastern European countries, the possibilities will depend on economic and political conditions in each.

11. We have won credit in Eastern Europe by championing closer relations with the Community. We must do the same for the former Soviet Union. The aim must be to develop relations with the new Republics which, within the Community's available resources, promote democracy and

CONFIDENTIAL



CONFIDENTIAL

economic reform. We want a step by step approach, in which the relationship is developed according to the circumstances of individual republics and conditional on economic and political progress in each. The first step is likely to be Trade and Cooperation Agreements with the main Republics, perhaps with a political dialogue added. The Foreign Affairs Council broadly endorsed such an approach on 10 January. We can expect Commission proposals shortly.

12. Membership for the new Republics is an issue for the longer term. The Baltic states, Belarus, Ukraine and Moldova would qualify as European states under Article 237 of the Treaty of Rome, and the equivalent article of the draft political union Treaty agreed at Maastricht. I think one would have to argue that Russia would too. Georgia, Azerbaijan and Armenia might just qualify, but the Central Asian Republics would not. In practical terms, membership for any of the new Republics, with the possible exception of the Baltic states, looks implausible for the foreseeable future. It looks particularly difficult for Russia, which would be too big and too poor for the Community to accommodate in any conventional sense. But the pace of change in the Community, and in the former Soviet Union, makes it unwise to rule out any form of relationship in the longer term.

13. The first wave of EFTAn accession should be broadly containable within the Community's institutional structures as amended by Maastricht. But enlargement beyond that will bring difficult institutional questions onto the Community agenda. As you have noted, substantial enlargement could generate centripetal pressures. There will be calls from some for a revision

CONFIDENTIAL



CONFIDENTIAL

of the decision-making process (including more QMV) and for moves towards a more centralised Community. We are developing our own thinking on this. We should discuss together in due course.

14. I am sending copies of this minute and enclosure to the Prime Minister, other OPD(E) colleagues and Sir Robin Butler.

DH.

(DOUGLAS HURD)

Foreign and Commonwealth Office

23 January 1992

CONFIDENTIAL