



Foreign &
Commonwealth
Office

London SW1A 2AH

RESTRICTED

Prime Minister

1 June 1992

Temporarily Retained

Dear Stephen,

THIS IS A COPY. THE ORIGINAL IS
RETAINED UNDER SECTION 3 (4)
OF THE PUBLIC RECORDS ACT
Alpha 1/1

EC Enlargement and the Swiss Application

The Prime Minister may like a short note on where matters stand in the run up to the Lisbon European Council.

The Swiss Government formally applied for membership on 26 May. This brings the total number of EFTA applicants to four (Austria, Sweden and Finland are the others). Norway is likely to apply in November 1992. There would then be eight applications on the table (including those from Turkey, Malta and Cyprus) at the European Council in Edinburgh.

The Swiss application will make it harder to achieve our objectives of a decision at Edinburgh to open negotiations with the first wave, and the successful conclusion of those negotiations by the end of next year. It will also complicate the debate at Lisbon, where we want an outcome which will permit us to take forward preparations during our Presidency. This is for four reasons:

- there was already concern about the implications of the accession of three neutrals - Austria, Sweden and Finland - for the development of the Common Foreign and Security Policy. The Swiss application will exacerbate the fears of those who want the 1996 IGC to decide on a common defence role for the Union. On both issues, Switzerland is seen by many as the most difficult of the EFTA applicants;

- the application will strengthen the hand of those arguing for institutional change. A consensus was beginning to develop that the institutional arrangements agreed at Maastricht could - with some minor changes - absorb three or four candidates. The argument is harder to sustain with five. The issue is not simply one of numbers. The Swiss adopted what many saw as an inflexible and negative negotiating style during the EEA negotiations. This has influenced expectations about how they will behave once in the Community, and could strengthen the hand of those who want changes in decision-taking arrangements, including more qualified majority voting, as part of the next round of enlargement;

RESTRICTED



RESTRICTED

- experience suggests that the Swiss may also cause difficulties during accession negotiations. These will take place separately but concurrently with each applicant. All the new entrants in the first wave will have to join on the same date because of the need to spell out practical points such as how qualified majority voting would apply in the Council. If the Swiss are difficult in their own negotiations they could delay entry for all the EFTAns. It might be necessary to leave them behind;

- there is in any case a possibility that the Swiss may miss the first wave if, for example, negotiations with the Swiss became irretrievably bogged down, but conclude satisfactorily with the other four; or if the Swiss people reject accession at the referendum required once negotiations conclude. A 'yes' vote requires a double majority of people and cantons - a steep hurdle. The Swiss have traditionally stayed out of international organisations because of their neutrality, but there are indications that they are becoming more outward-looking, eg their recent decision to join the Bretton Woods institutions. But joining the EC would be a much bigger step, and a positive result in this referendum cannot be regarded as certain.

The Foreign Secretary believes that the objective case for enlargement is as strong as ever. We should continue to argue that the Community must open its doors to respond to the challenge of the new Europe; that the Swiss and other EFTAns will make a valuable contribution to the Community, and are well qualified to join; and that negotiations should begin once Maastricht conclusions are satisfied. Any institutional adjustments can be accommodated during the accession negotiations and the timing of the 1996 IGC remains unaffected. We will need to enlist support from the Portuguese Presidency and the Germans. Cavaco's likely visit to London before the European Council and the Prime Minister's discussion on this with Chancellor Kohl, planned for 5 June, will be important. The Germans' success in signing President Mitterrand up to the principle of early EFTAN accession at the recent Franco-German summit is encouraging.

I am copying this letter to the Private Secretaries of other Cabinet Ministers and to Sonia Phippard (Cabinet Office).

Yours ever,
Christopher Prentice

(C N R Prentice)
Private Secretary

J S Wall Esq CMG LVO
10 Downing Street

RESTRICTED

Letter from Prentice to Wall dated 1 JUNE 1992