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Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

20th June, 1979

Der Bryan,

OUR CONTRIBUTION TO THE COMMUNITY BUDGET
AND THE COSTS OF ENLARGEMENT

The Chancellor has seen the briefing for the European Council in Strasbourg and would like - as a gloss on it - to draw the Prime Minister's attention specifically to the effect of Enlargement on our net contribution to the Community Budget. Brief No.18, which draws on studies by officials, shows that when the enlargement of the Community is complete, a considerable net budgetary burden will fall on the existing nine Member States because all three of the applicants will be net beneficiaries from the Budget. The UK share of this can be tentatively estimated at £110 million at today's prices.

Because all three applicants are poor, and will therefore benefit substantially from the Regional and Social Funds, under the present arrangements we are unlikely to remain net beneficiaries from either Fund (although this could change if the rules governing either our contribution to the Budget or our receipts from the Funds were to be altered). Although the brief does not go into details, the studies show that even if progressivity were introduced into the financing of the Community Budget, the net cost of Enlargement to the UK would remain about the same. This is because under progressivity, the applicant states would be paying less, so that the net cost of Enlargement to the rest of the Community would rise. The UK, however, would be paying a smaller percentage of this larger amount. The prospect is that in the long run the costs of Enlargement are more likely to prove higher than this tentative estimate than lower.

/These costs

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These costs will not arise at once; they will build up gradually as the applicant states join the Community, and as their transitional periods progress. Nevertheless, the process will start with the accession of Greece in January 1981, and in the Chancellor's view the fact that this further budgetary burden will start to fall on us from that date is an additional reason for hastening the work in the Community designed to rectify our unfair budgetary contribution.

I am copying this to Paul Lever.

Yours ever,

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(M.A. HALL)
Private Secretary

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