

5.45 P.M.

com(79) 680.

Sweep aside -

Introduction

My colleagues will remember that it was in Strasbourg that we first discussed the problem of the size of the UK's net contribution to the EEC Budget in 1980 and onwards.

We asked the Commission then to find the facts and report and to suggest solutions.

Problem

Britain's position in this respect is unique in the Community. We have an income per head which is well below the average.

Yet we are expected to make the biggest net contribution to the EEC.

Six of the countries here are much better off than we are; and they are growing faster than we are.

/ But with

But with the exception of Germany, those countries either break even or benefit substantially from the budget.

Whether you calculate it as 1814 million units of account or as 1552 million, we - a less well-off country - make a huge net transfer that is unacceptable and inequitable. We therefore seek a fair and equitable solution.

Difference between Dublin now and Dublin 1975

The present financial mechanism was of course negotiated at Dublin but this was under extremely different circumstances. First, the previous Government was then renegotiating entry before a referendum.

Now, we are wholly committed to the Community for larger reasons ie it is best for us and for Europe that the countries of free Europe grow together, consult together and on many things act together.

/ Here we

Here we are and here we stay.
Second, then the problem was in
general terms about the future -
now it is about hard cash next year.

At time of Entry

May I just take colleagues back to the
assurances given us at time of entry.

Realising that the course of events
could not be predicted, the
the Commission prepared and the
Council of Ministers approved a
document which was then transmitted
to the UK.

Its subject was

"The financial arrangements in an
enlarged Community."

At the end of paragraph 20 the documents says:

"Indeed should unacceptable situations
arise within the present Community, or an
enlarged Community, the very survival of
the Community would demand that the
Institutions find equitable solutions."

That document was dated

13 November 1970.

/ The new

The new Commission document before us specifically reminds us of those words.

We are relying on that assurance now.

Broad Balance

Before referring to the present Commission document now before us, colleagues will note that we are asking for "broad balance" between contributions and benefits.

Some of my own people would say that being below average income and well below, we should argue that we should become net beneficiaries, and that transfers from the European budget could be expected to go more to the poorer members than the better off.

/ But I am not

But I am not arguing for that.

We are not asking for net gain from
the Budget.

Britain does not expect to be
financed by any of our partners.

We are asking only to be broadly in
balance. At a time when we are
cutting expenditure at home on things
like education, housing, social
services, a net contribution to
Europe of £1000 m. is deeply
resented as unfair.

I hope that we shall be able to
complete the work we started at
Strasbourg and take the requisite
decisions.

Turning now to the proposals on the
Commission's paper, I should like to
make a number of points:

/ (i)

(i) The precise figure for our net contribution depends on how MCAs are allocated. In our view it is the exporter who benefits from MCAs. But I know that some colleagues would argue differently, and I will therefore discuss on the importer benefits basis - 1552 million units instead of 1814 million.

If I were in fact to accept that basis, I should already be accepting that we should be net contributors to the extent of 262 million units of account.

I may want to come back to that point later.

(ii) The Commission's paper to which I now refer in detail shows that the problem can be solved within the framework of Community principles. I welcome that. It means that today we can concentrate our discussion on substance.

The Commission has specifically left to us decisions on amounts.

/ The Commission

The Commission paper deals first with the structure of the budget.

It asks that we endorse the principle of shifting some expenditure away from agriculture to structural and investment policies.

We believe that such a move would be in the right direction, so long as it does not involve us all in a great expansion of the budget.

But *we* believe that its effects would only be gradual.

It would do little or nothing to solve immediate problems.

/ On the contributions

On the contributions side, the paper deals
with the financial mechanism.

So far the mechanism has failed to
benefit us.

I hope therefore that we can remove
the restrictions it contains.

We should remove

- the balance of payments test
- the 3 per cent limit
- the tranche system

and we should remove also

- the test of 85 per cent GNP and
substitute "below average GNP per
head" 4
- the 120 per cent growth criterion.

If those changes were put into effect the
UK contribution would be reduced
by 520 meua net.

This reduction would be achieved
by established Community methods.

/ That would

But that would leave us still contributing more than 1000meua net - not far short of Germany and vastly more than France (which has a GNP 40% greater than ours.

I turn therefore, as does the paper, to the other side of the budget problem: receipts.

If contributions are the resources of the Community, the distribution of receipts from the budget largely determines the pattern of burdens and benefits - who will gain and who will pay.

Here too the UK is in a unique position. Our receipts per head are less than half the Community average.

/ UK receipts per head:	28 eua
Community average receipts per head:	59 eua
Shortfall: receipts per head	30.6eua
total	1707 million eua
Net refund if UK contributes	1408 million eua <u>7</u>

/ From the Commission

- 10 -

From the Commission report at the time of accession (approved by the Council and to which I have already referred) - we expected, and so did our colleagues who endorsed it, that we should by now be getting a much higher share of receipts.

The 3rd Commission proposal - that on expenditure to help UK receipts - is therefore a necessary component in any solution.

The method we ourselves have suggested would be straightforward, simple and effective.

Alternatively we could follow the Commission's idea of payments linked to expenditure in the UK of a structural character, which would qualify under Community policies. They have suggested some examples.

/ Whatever the

- 11-

Whatever the methods, if UK receipts per head were brought into line with the Community average, the UK would benefit by an extra 1400 million units of account.

I could easily justify such a sum. Indeed, since we are well below average income, I could justify more.

I hope that at least the gap between our receipts per head and the Community average can be reduced by three quarters - not closed completely but narrowed by about 75%.

That would mean that UK receipts would need to be increased by about 1000 million units of account net.

/ The two methods

The two methods, the removal of constraints on the financial mechanism and raising receipts to a level which would bring us nearer to the average would relieve the UK of having to transfer 1550 million units of account net of her income to the Community. As I said at the outset, looking at it on the exporter benefits basis, we should still be a net contributor to the extent of 200-300 million units of account.

The Commission has suggested the methods of dealing with the problem - Communautaire methods which I accept.

The details and amounts have to be determined here.

I believe that the amounts I have suggested would be fair.

The arrangement would last as long as the problem.

If and when the UK income per head becomes above average, we should expect to pay above average net contributions.

(i) Structural changes in the budget should in due course produce a better balance of contributions & receipts

(ii) If and when the UK income per head becomes above Community average - we should of course be ready to pay more

Finally

I must leave you in no doubt about the great political problem at home caused by this budget question.

If any other country were in the same position as we are, they would be making the same case with the same force and conviction.

And they would expect the same sort of response from their partners as we are expecting today.

/ Deeply

- 14 -

Deeply committed to Europe as we are, we should find it difficult to explain to our people if we do not succeed in remedying our problems.

When there is so much trouble in the world, the last thing we need or want is a crisis within the Community. I hope therefore that here today we can prevent that happening, because there is so much for us to do together in the larger world.

There was no proposal of agreement.

Could not proceed that with
a spirit of good will.

Commis by R. 1-21 - 10/10/21.

Is there any chance of 1/24 & 1/21
in the early period of 1980.

80-81.

Rebo average
Community P. 1-21 - People

Tentative.

Need to be agreed on size. 1552 new.

MEP - Impulse -

If MEP eliminated deficit
will be increased.

131 ok. - out.

Financial Contributions - Group of Financial Resources.

{ On P. 250
trans 520 reb
36.

Count on credit of 2.

Payment required
82 -

Expenditure side of budget.

Interest rate same - proposed
in contract with bank con
interest.

Speed and low volume.

Cost - only hardly to be sorted
into market cost.

Policy then - shifts on market policy
to the market cost.

17 Threshold.

- Can't keep about - extra receipts
and less 176 ceilings.

C.A.P. - must not make faulty assignments.

We receive less money than Fed. Reserve

● M.C.A's

- Lynch

Money fund within.

Levi - Tank - Patten can't be charged
- after market.

Pattern of Trade - Britain buys
from other countries.

Van Melt.

Whether the Council does or does not believe that the job is still done to his mind and capability.

① system of own resources must make effect.
"fair value".

② whatever solution - Community's interest.

③ Sol = limited in time. - 3 years.

④ Upper limit of 12 VAT must make bracket.
in order to solve the problem.

Article
des

Article Council for its opinion on these 4 points
3 Decision countries.
Specify for the text.

Convergence

- 11th - Involvement of Community
policies directed to keep about
convergence of policies

Spec. for a more general viewpoint.

Dist. - whether happen under or under
proper. deep convergence of economy

Clear. Policies of Community must
help them of national funds.

Existence of imbalances on resources
of Community budget in C.A.P.

Balance of power

Pr. of internal protection -
From doing down

Oil

- Revenue
35-40.
broad.

~~Long term debt~~
Gov. - 600 - - 10%
70% - short

Inflation

- New law

Home

- Interest

6000 - - -

17% → cost

Unemployment

June 1982

95% with 96/most. bought for
Community. (2)

Only 3 out of 100 oranges are Italian.

Policy for Mediterranean countries.

Inclusion of rest of world:

Also required - strengthening of measures
set aside for industrial countries.

Bank hold out prospect of other nations.

Future of budget. - By front - other
exp. soon have to be removed

Should show to which should be
reserved for various policies.

For 1982 - similar investment exp.
24% - 22% in Community.

M.T.'s problems call for specific solution.

Can't run with account with

in need to have responsibility of all

with M.T.

The real solution to the problem could be found

if we can promote growth in the

way that community can make its people

for difficulties of monetary.

Boyer - Parnade

(3)

Revised in context of convergence.

Some thoughts on the shape.

U.K. gets certain deal compared with other countries.

Must think in political terms - this means make

∴ prepared to contribute.

But can't expect so-to which means
understanding policies in equivalent areas.

Conclusions - incomplete result every

1st not about present but

Common Market - Income Tax - resources

Trade should increase towards common
community market

Research into by oil price -

This is an input for me
as budget for U.K.

Payments side - collaborate for market's

Unfortunate - Parade of industry
in difficulties

- no energy policy.

Appointed - top up too late too high
because of surplus.

Parade - lesson of L.F.P. - C.F.P.

Political interest in politics
to return the same contribution.

70% should be based in value
should be low.

Germany

- How the states that the
problem be solved.

Don't understand. -

Understand why - value of
520 m.u.e.

Pro Temis asked to explain how his last receipt.

Receipts. - How to get another Bill
units of account.

Single common reqⁿ for distribution
of equal value for total sum
or agreed objectives.

E.M.S. - without other example.

- financial interests
interest

financial interests - interest in
- important in last regions.

Examples - Coal exploitation - Grants of 840
- Widening projects - etc. regions

- Transport infrastructure
J-1.

Committee to judge eligibility.

H.S. - Do you increase overall expenditure.
of Community?

R.S. part one -
part another.

Goswami

- No interest mechanism

I haven't got f notes. ---

Monetary policy, with the
convergence.

Giscard

- Is a "Baili" difficulty - nobody denies it
Recession in Community's spirit.

Budget important but only part of G.T.C.
France - Broad Balance

No help to us - no-one can ask
anything of us.

∴ Community problem.

First note - net balance used as a basis.

- Lowest - know the rules. -

- 1980. - 7.50 million more than on G.N.P.

No identity among member states.

Contribution - increased comm.

Structure of Int. Imports. - Outside the

Structure of Int. Trade
Community.

was a development of Int. Imp.

Trade.

Right look at this for a transitional
period.

Receipt - more than now but than others.

Exp. depends on Common Policies.

Don't spread others for re-employment levels!

- It comes in debt - but I'm
facing it -

~~...~~
H.S. would not say any increase of
to let budgetary community.

Money help will 17% V.A.T.

Add funding needed would have
to come from others.

H.S. could we some inclusion for countries.

Reluctant to get into local business.

Agreement - Reduce of exp.

Problem for 20- - Ireland should
want to stay
- other.

Play help for rate. - not reports
but enough

(i) stick to 10% center V.A.T.

We thought we had paid
- equally 1984.

Oil. → Relations to the Problem.
Coal & Nuclear Energy

Targets.
Ardent Construction.
Employment - Competitiveness - High growth
or employment are possible.

V. U. C. Wirtschaft. — Unemployment.

How to promote economic democracy.

Optimal Policy. ① Inflation - U.K.
② Oil → Monetary Problems
Greater than we thought.

Strategy → limit M. & E. Council
- value.

Inflation - price control - top priority.
Monetary Policy - Not a permanent deficit.
Jan 1974

Continue to be expansion.

Community - National approach
- Rigorous

E.M.S → Produced results.
Concentrate our policies with more

Germany - France
Lil. results of France

Growth GNP - higher than expected.
74-5 division of price cc. activity \rightarrow inflation.

Beware of repeating what in 1975-80.
Forecast of Commission too weak.

Employment better.

Growth better.

Inflation "shorter" - If we don't manage to
keep it down - first half of 1980.

Germany - LeMay - determine everything.

6 Billion Marks a Year

- Subsidizing Coal.

In Markt next year - Coal cheaper than oil.

Prohibit Coal - not subsidize.

Must Build Nuclear Reactors.

3rd world - first demonstration of their
hunger.

Change of leadership in Soviet Union,

Years of enormous enthusiasm

Consider ~~the~~ same monetary policy.

Differences - not of value - none made
reduced

Cost - alternative down of exp.

Denmark.

Increased value not complete
but - employment -

Take out exp. cuts for

value

Disquad

with U.S.

Belgium.

- Worst

- more unemployment reports

Cost.

Propose

for

new nuclear power

unemployment.

Good effect on cuts in public exp.

Belgium: paid unemployment

insurance

1000 = Belgium

Red to

30

hours

a week.

before end of 1980.

E.P.A.F. before 1987.

Holland.