



Treasury Chambers, Parliament Street, SW1P 3AG  
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PRIME MINISTER

EEC CONTRIBUTION FOR 1980 : NEW FIGURES

You may recall that in my minute to you of 20th December about the EEC contribution I referred to the possible need to update the familiar Commission figures of 1552 MEUA for our net contribution to the 1980 Budget on an importer benefits basis, and 520 MEUA for the prospective net benefit to us in 1980 from an unrestricted financial mechanism. I would now like to recommend that unless, as is possible, the Italians do it for us, we should now ask the Commission to revise their forecast of our net contribution in time for the European Council at the end of March.

2. The 1552 MEUA figure was produced by the Commission last September. The exchange rate used in calculating it went back to February 1979. There was a separate figure of 1814 MEUA on an "exporter benefits" basis for MCAs. Since then sterling has appreciated by about 7 per cent against the MEUA; our MCAs have disappeared; and the view of expenditure in the Community's 1980 Budget has also changed, though the Budget is not yet settled.

3. We would expect the Commission to produce a figure well over £1200m for our net contribution in 1980. It could be in the region of 1900 MEUA (£1280m). This would include no credit



for relief under the existing financial mechanism, which would not be payable until 1981 (mainly in the first quarter). Our own figure which will be published in the Public Expenditure White Paper on Budget Day is £1061m for our financial year 1980/81. This represents a net contribution of £1190m, reduced early in 1981 by a refund of £129m under the present unreformed financial mechanism. However these domestic figures are at 1979 prices, so the £1190m also corresponds to a figure well over £1200m in 1980 terms.

4. There are risks in seeking new figures for the next European Council. There are first the dangers of confusion and argument inherent in any move from familiar to unfamiliar numbers. The new numbers will themselves still be provisional because the 1980 Budget (including the major CAP decisions) is not settled. A series of provisional numbers may reduce the authority of all of them. And if the argument at the European Council were primarily in terms of reducing our net contribution to a level below that of France, the effect of the new figures would be to impress on our partners more than ever the high cost to them of doing this. Finally, raising the forecast for our contribution might reduce the credit the Government could hope to get at home for any given amount extracted from our partners in the negotiation: it would represent a smaller proportion of the total net contribution. One aspect of this is that the £350m gain from improving the financial mechanism is considerably reduced if there is in any case a claim under the unreformed mechanism (though a claim for 1980 carries no assurance for future years).

5. On the other hand there ought to be a clear negotiating gain from a Commission recalculation which showed that our problem was even larger than had hitherto been supposed. We



would be able to say that the amount of "new money" our partners were conceding by reforming the mechanism was less than had been thought, while our problem was greater. If they simply restored the amount of extra money they had expected to "give" us, we would be marginally nearer a solution. The increased contribution figure would confirm the inexorable growth of our burden under present arrangements, and the urgency of dealing with it. On the presentational aspects, I think we have to avoid making a settlement on the basis of one set of figures and then having to defend it on the basis of a notably different set. We could hardly refuse at home to reveal our own current view of the figures in reply to a direct question and that could arise naturally from the Expenditure White Paper figures. It seems better to make the change to the new figures in a natural way at a time of our choosing, i.e. by asking the Commission to produce them for the Council. The last thing we want is to have them extracted from us by the Opposition at the time of, or soon after, your statement following the Council.

6. On balance I conclude that we ought to ask the Commission for the revised figures in time for the end-March Council. It is possible that the Italians may ask for them, but if not I suggest we do so quickly at the next COREPER meeting. If we delay, there will not be time to produce the figures for the Council. For this purpose I think we have to distinguish between the main recalculation, which the Commission has to undertake: and the question of benefit under the existing mechanism, which is a matter for a UK claim (required to be lodged by June). The immediate requirement is to seek the main recalculation. If you agree we will proceed with that.

7. None of this alters in any way the UK position as you described it to Signor Cossiga, namely that we were prepared in

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the interests of a durable settlement to acquiesce in a position where we made a modest net contribution bearing the same kind of relationship to the French net contribution as our GDP bears to theirs. But on balance I think what I am proposing improves our chances of negotiating a better measure of relief from our partners.

8. I understand that the Lord Privy Seal agrees with this recommendation. I am copying this minute to him, to the Foreign and Commonwealth Secretary and to Sir Robert Armstrong.

(Approved by the  
Chancellor and signed  
in his absence)

*Wiggles*  
for (G.H.)

29 February, 1980



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