

Lemorena Summit
Dublin 1979.

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Introduction

Raised in Strasbourg

- problem of size of net-
contribution of U.K. to E.E.C.
budget. in 1980 and onwards.

Commission asked to find the
facts and figures, and to
suggest solutions.

Problem

Unique in Community

In that - having well below
average income per head, we are
nevertheless asked to make highest
net contribution to the E.E.C.

Five countries here - much better off than we are

- growing faster than we are

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

The budget net transfer we make (1974 or 1974 e.u.a. as to method) (calculated) for a less well-off to much better off - is ~~not~~ unacceptable, and inequitable. We therefore seek a just & fair solution.

1. Difference between Dullin now and Dullin 1971 ³

3. Answer that present Financial Mechanism rejected at Dullin
this time - discussion on a totally
different basis

Then before a Recommendation or
reorganisation only.

Now - wholly committed to
ECR. Community for longer period,
i.e. well for us & for Europe that
the countries of free Europe
join together. Council together
and on many things but together.

There is - here no intention of
changing that position. i.e. we
stay. ~~There is no intention of~~

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∴ Argument within Community
about the problem which can
be solved between members of
Community.

4 At time of entry

May 1 just take colleagues
back to assurances given in cl-
ture of entry - Realising

that the course of events could
not be predicted, there was a
document approved by the Council
before transmission to the U.K.
The subject was

"The financial arrangements in
an enlarged Community."

At the end of para 20 it says.

"Indeed, should acceptable
 solutions arise within the present
 Community, or an enlarged Community,
 the very survival of the Community
 would demand that the Institutions
 find appropriate solutions"

Dated 13 Nov 1970

We are praying in aid that
 course now.

5. BROAD BALANCE.

Referendum to the
 present Commission document, now

before us, colleagues will note that we are asking for budget balance between contributors and beneficiaries. ~~Some~~ ^{Some} of my own people would ~~agree~~ ^{say} that being below average income and well below, we should agree that we should become net-beneficiaries, and that transfers for the European budget could be expected to go more to the poorer members than the better off.

But I am not asking for that. We are not asking for net gain for the Member States. We are ^{only} asking to be broadly in balance. At a time when

We are cutting expenditures at home
 on things like education, housing,
 social services, a net contribution to Europe
 of £1,000. is highly resented as unjust.
 I hope we shall be able to complete the work
 we started at Strasbourg and later the
 remainder decided.

to Turnover to the proposals in
the Commission paper, - should
 like to make a no. of points

i) The precise scheme for the
 net-contribution depends on how
resources are allocated. In our view
 it is the exporter who benefits from

M.C.O.'s but I know that some
 colleagues would argue differently & I
 will discuss on the imputed benefits
 basis - 1552 units valued at 1814.
 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
 m.u.c. As I may want to come back to
 that point later.

(ii) The Committee's paper to which
 I now refer in detail shows that the
 problem can be solved within the
framework of community principles
Welcome that, - can therefore concentrate

discussion on substance

(iii) The paper deals first with
structure of the Budget.

Asks that we endorse the
principle of shifting some expenditure
away from expenditure to structural &
investment policies.

Believe that such a move would
be in the right direction, but it must
not involve us in more expenditure.

Believe its effects would only be
gradual - would do little or nothing
to solve immediate problem.

Believe value of this point will
depend on how practical & effective
the European Council is prepared to give

that expenditure will be reduced,

(iv) On the contributions side - paper deals with the Financial Mechanism.

- so far it has failed to benefit us

∴ hope that we can remove the restrictions it contains.

Remove - b. of p. test -

- 3% limit ~~on~~

- transfer system

and

- test of 15 percent rather than 'below average' GNP per head

- 120% growth criterion.

If those changes were put into effect

U.K. contributions would be reduced

520 m.e.u. and in low-demand

with a normal community - method of financing.

This would leave us still estimating more than 1000 r.e.u.c. - not far short of Germany - vastly more than France (which has GNP 50% greater than U.K.)

Time therefore is down the page to other side of budget problem

(v) Receipts . . . If contributions are the resources of the community, the distribution of the burden of transfer depends largely on the pattern of receipts.

U.K. - Here too - in unique position

Our receipts per head - less

than half the Community average

From Committee report at time of occasion (approved by the Council 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 Committee suggestion is: a necessary component of any solution.

They have suggested that we look at special measures to increase low level of receipts. We have suggested a straightforward way of doing that

which would be simple & effective.

But alternatively we could follow Commission's idea of receipts linked to expenditure in U.K. of a structured character, based on Community policies.

If U.K. receipts per head were brought into line only with the Community average - U.K. would receive 1400 n.a.a. | can ~~could~~ of ~~could~~ easily

justly, but a sum - which being well below av. income, I could justly raise.

~~but I do not ask for it~~ but I hope ~~that our receipts could be at least~~ something ~~between~~ ^{over} 1000 n.a.a. which would reduce by about $\frac{2}{3}$ the gap between our receipts &

The community way.

The two methods, the removal
 of constraints on the Prudent Richard,
 and value receipts up to a level which would
 bring us nearer to the average would relieve
 the U.K. of having to transfer 1500
 m.u. ~~to~~ of her income to the
 Community. ~~amount~~. Looking at it on
 the upside Ray basis - we should still
 be a net contributor to the extent of

262 m.u.

The Commission has suggested
 the method of dealing with the

an
Convergence

problem - a method which I
accept. The details of arrangements have
to be determined here.

I believe that the amounts I
have suggested would be fair ~~for~~
~~under the~~

The arrangement would last
as long as the problem. If & when
the U.K. income per head becomes
above average, we should expect to
pay above average net contributions.

Finally,

Cannot over-emphasize
great political problem at home
caused by this budget position.

Deeply committed to Europe and
we ^{shall} find it difficult to explain
~~why we have not yet received~~
^{if we do not receive}

redress for our problems. When there

is so much trouble in the world, the
last thing we need is ^{further} ~~disturbance~~ within
the Community. I hope therefore that

we can remove its causes here
because there is need for us to do together in
the larger world.