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Prime Minister

To note.

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

24 February 1982

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Michael Scholar Esq
Private Secretary
No.10 Downing Street
LONDON SW1

Dear Michael,

EC CONTRIBUTIONS AND THE PUBLIC EXPENDITURE WHITE PAPER

John Wiggins' letter of 16^{PR13} January 1981 to Michael Alexander drew attention to the figures for payments to the European Community institutions which were to be shown in the public expenditure White Paper. I am writing to draw your attention to the comparable figures that will appear in this year's White Paper. The dominant component is of course our net contribution to the Community budget.

The comparison between the new figures and the last White Paper revalued is as follows:-

Net payments to EC institutions

	£ million			
	1981-82	1982-83	1983-84	1984-85
Cmnd 8175 revalued	460	501	531	
New White Paper	45	500	580	600
Difference	-415	-1	+49	

As you will see, the 1981-82 estimate of £45 million is much lower than expected last time. But that will hardly come as a surprise. The press are already familiar with a figure of some £55 million for our net contribution in respect of the 1981 budget, which largely explains the low 1981-82 cash flow White Paper figure. These low figures have resulted mainly from unexpectedly high world food prices, which held down CAP expenditure, and from the relatively high sterling exchange rate and higher than expected receipts by the UK.

After the unexpectedly low figure for 1981-82, the estimates for 1982-83 and subsequent financial years bounce back to levels very similar to those projected in last year's White Paper. As the table shows, the figure of £500 million for 1982-83 is almost identical with the corresponding cash figure underlying

/the last White Paper.

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the last White Paper. Fears that it might be substantially higher-(Peter Jenkins' letter of 4 August to Michael Alexander) - have proved unfounded.

The text of the new White Paper explains that once again the figures for 1982-83 and subsequent years are based on a 'stylised assumption' about our refunds. The last White Paper assumed that our net contribution after correction would remain constant in real terms. With the change from a constant prices to a cash White Paper, this assumption is no longer so suitable, and the new estimates make the assumption that the arrangements governing 1982 and later years will be much the same as those governing 1980 and 1981, which refunded about two-thirds of the UK's estimated net contribution to the Community budget (excluding overseas aid and certain other items). The White Paper text makes it quite clear that the figures for future years are neither a forecast nor a negotiating objective. This follows *Re* practice in previous years, which has not prejudiced our negotiating position, and will not do so now.

Full briefing will be made available for use with the press as necessary.

I am sending copies of this letter to Brian Fall (FCO) and David Wright (Cabinet Office).

Yours ever,

J O Kerr

J O KERR
Principal Private Secretary



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