



Treasury Chambers, Parliament Street, SW1P 3AG  
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16 March 1982

John Coles, Esq.,  
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Dear John,

## EC BUDGET MANDATE : FRENCH POSITION FOR 1982

Since the completion of the paper by officials for the Prime Minister's meeting tomorrow, Treasury officials have been looking further at France's prospective net budget contribution for 1982. Given the likely importance of the prospective French position, the Chancellor has asked me to send you this note before the meeting.

The Commission's earlier projections, given to us in confidence and reflected in Annex C to the paper by officials, showed a massive deterioration of over  $\frac{1}{2}$  billion ecus in French net receipts before UK refunds, from 680 million ecus for 1981 to 160 million ecus for 1982. If this projection were correct, the French would be left, on the figures we used earlier, with a significant net contribution after UK refunds even in the 66 per cent refunds case and a net contribution much higher than our own in the 95 per cent refunds case.

Officials have pointed out informally to friends in the Commission that the earlier Commission figures assumed that everything would go wrong for France simultaneously - with their share of "own resources" contributions rising sharply while their shares of receipts from both agricultural and other expenditure fell. We understand that the Commission have now revised their figures. They are now talking of French net receipts for 1982, before UK refunds, of 350 million ecus (+ 340 million ecus). This may still be pessimistic. But it does ease the French position after UK refunds by approaching 200 million ecus for 1982.

The Commission are also now talking in terms of a lower UK net contribution before refunds for 1982. This doubtless includes an element of wishful thinking. But it may be reasonable to assume a UK net contribution of around 2 billion ecus as the centre of the range, as against the 2150 million ecus assumed in Annex C.

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We have unfortunately not been able to obtain the Commission's latest projections for other countries. But our earlier projections can be roughly adjusted in the light of these revisions to the French and UK figures. The resulting pattern for 1982 (on the assumption that Germany pays 25 per cent of our refunds, not 25 per cent of what they would have paid under own resources) is shown below.

Net contributions (-) after UK refunds

million ecus

	<u>1981</u>	<u>1982</u>			
		<u>UK refunds percentages</u>			
		High 95%	Intermediate 90%	Low 85% 66%	
UK	-180	-100	-200	-300	-680
France	+240	-450	-400	-360	-200
Germany	-2120	-2340	-2310	-2280	-2190

The margin of error attaching to all such estimates is obviously very large. If however we allow (a) for a continuing element of pessimism in the forecasts for France, and (b) for the amounts we lose each year from the fact that our refunds are paid in arrears, the implication seems to be that an agreement which refunded us 85 per cent (or even 90 per cent) of our uncorrected net budget contribution might leave France and ourselves as net contributors on a fairly similar scale after refunds. If we allow also for costs and benefits outside the budget on intra-Community trade in agricultural products, France would of course continue to benefit far more than the UK from the Community's policies.

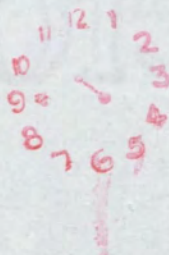
I am copying this letter to Francis Richards (FCO), Kate Timms (MAFF) and David Wright (Cabinet Office).

*Yours ever,*  
*J. O. Kerr.*

J.O. KERR



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