

File. Treasury to submit revised proposals. CC NO AT 146



Prime Minister ①

FCO are contact.

Agree?

AT 12/6

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PM Discussed with Alex 14/6 I think it's not

PRIME MINISTER

cannot include these figures. Surely we do not need any financial purposes yet.

PESC PROJECTION OF NET PAYMENTS TO EEC INSTITUTIONS

I have been considering what figures should be included in the internal PESC report, due to be circulated to departments before the end of June, in respect of net payments to Community institutions for future years. You will recall that, up to now, in both the PESC report and the Public Expenditure White Paper these payments have been projected on the stylised basis that the EC own resources ceiling will not be increased and that we will receive refunds equivalent to some two-thirds of our net contribution to the allocated budget.

2. It is extremely difficult to make any meaningful projections for future years at this stage. Apart from the underlying estimating uncertainties relating to our gross contributions and receipts, the level of our net payments will depend crucially on whether we reach early agreement on the budget imbalances problem. Even if agreement is reached at the European Council on 25-26 June, much will also depend on such factors as the precise details of the scheme, the timing of the payment of refunds (including the proposed further ad hoc refunds in respect of 1984), the timing of any increase in own resources, and so on. The outcome will also be affected by decisions reached on any supplementary financing for the EC budget overrun this year and next.

3. In these circumstances, I believe a detailed, worked-through projection is at this stage of little practical use. I therefore propose, for the time being, to adopt the purely stylised assumption that, in future years, our net payments to EC institutions will be the same as they were in 1983/84 - some £900 million. This represents a substantial increase in the figures in the last White Paper (£375 million, £550 million, and £600 million in 1984/85, 1985/86 and 1986/87 respectively), but the actual outcome could, of course, be even worse if no

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agreement were reached and we received no further refunds. Even if agreement is reached, the last White Paper figures will still look optimistic: for example, the assumption of the continuation of both the 1 per cent ceiling and two-thirds refunds is clearly now unrealistic. (This underlines the importance of getting agreement to a refund scheme with a high rate of compensation.)

4. It is too early to decide how to handle these figures in the Autumn Statement or the next Public Expenditure White Paper. We shall need to review the position in the light of the next European Council and subsequent developments. But if agreement has still not been reached on the outstanding budget issues, I would not exclude publishing the figures on the above purely stylised basis - making it clear that the figures were neither a forecast nor a negotiating objective.

5. I am sending a copy of this minute to Geoffrey Howe.

A handwritten signature in dark ink, appearing to be 'N.L.' with a flourish.

N.L.

31 May 1984