

UK CONTRIBUTION TO THE EEC BUDGET

I attach answers prepared by the FCO/Treasury to our "devil's advocate" questions on the British contribution to the EEC Budget. For ease of reference our questions are attached as well.

I think that these answers, together with the background brief circulated earlier this week, give us good ammunition for answering criticisms of our position on the Budget.

At the FCO briefing for European correspondents this afternoon most of the points in this briefing material were raised and answered. The FCO spokesman (John Fretwell) said that Britain was not expecting to obtain a precise legal document with every detail buttoned-up at Dublin but rather a decision of substance which rectified an inequitable position Britain now had in its budgetary contribution. He was pressed to say what, if any, "ultimatum" Britain would give her partners before or at Dublin if we did not achieve a satisfactory solution. Mr Fretwell said that we had given no ultimatum, that - as the PM said - we intended to stay within the rule of law and that we were looking for a decision of substance at Dublin.

Correspondents also pressed for a precise figure that would be acceptable to Britain but Mr Fretwell stuck to our position that we were looking for a solution that provided "broad balance" in our Budget contribution.

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UK CONTRIBUTION TO THE EEC BUDGET: QUESTIONS AND ANSWERS.

Question 1

List of Questions  
on pps 4/5 attached

A: Nonsense; the injustice has gone on too long. We foresaw the problem at the time of entry negotiations but the Community then argued that rising UK receipts and falling percentage of expenditure on agriculture would solve it. They also said that if an unacceptable situation arose, the very survival of the Community would require that it be rectified. Unacceptable situation has now arisen and a solution must be found which lasts as long as the problem.

Questions 2, 3, 9 and 10

A: The Prime Minister has made it very clear that she wishes to see a broad balance between our contribution and our receipts from the Community. According to Community estimates in 1980 we are to contribute over 20% while receiving less than 10%. Without putting a precise figure which clearly will be the subject of discussion at Dublin, nothing could be plainer.

Questions 3 and 5

A: Yes we are fortunate. So are others. Mexico has oil but is not a rich country. The fact is that the generally accepted yardstick of relative prosperity is per capita GNP. The benefits of oil are reflected in this - but we remain the 3rd poorest member of the Community at 75% of average per capita GNP. We must also bear in mind other natural resources in the various states eg Dutch natural gas or German coal. We would like to see policies adopted by the Community which take more account of the coal reserves within the Community. Much of our oil already goes to the Community; 1/2 our production is exported and 1/2 of exports go to EEC. As for fish, 60% of the Community's catch in the waters of member states is taken from UK waters. So of course we contribute very considerably and our partners benefit substantially. As members of the Community no question of our retaining all that fish for our own use. What we want is an equitable fisheries policy settlement that gives our fishermen a fair share of the fish in our waters.

Questions 7 and 13

A: A progressive solution would not be satisfactory. The problem is with the 1980 budget to which we will contribute over £1 billion net. This issue must be dealt with on its merits, and in a manner which ensures that Ministers will not be confronted with it again. As the percentage of the Community's budget spent on agriculture is more reasonably balanced by the development of Community industrial and regional policies and our own trade becomes increasingly integrated with the Community, the problem will gradually disappear.

Question 8

A: We do not see why the Community should ask us to pay for getting a fair solution on the budget. Certainly we are ready to work for parallel progress across the whole front of Community business but each area raises its own economic and political problems. We should not create links where they do not naturally exist.

Question 11

A: The proportion of our imports from the rest of the Community has risen substantially since we joined and will probably continue to rise. We have adjusted to the Community market faster than any other member state. Imports of manufactures from the Community have risen from 31% to 38% and of food from 32% to 42%. We totally reject the implications of this criticism: EEC aim is to encourage world trade (Article 110) not stifle it. To force the consumer to make a particular choice is quite unacceptable both to this government and to the Community as a whole.

Question 12

A: If this is true it is only because of the excessive amount of the Community budget, nearly 75%, which is spent on agriculture from which we receive very little benefit. At the time of accession it was generally accepted that non-agricultural spending would absorb an increasing share of the budget. If we have not benefited from the Community it is not our fault.

Question 15

A: No. Our policy is designed to devalue the green pound during the life of the present parliament in order to provide our farmers with conditions which are broadly competitive with the rest of the Community. That is a perfectly reasonable policy which has marginal effects on our budgetary problem. In fact the UK MCA is now smaller and recently dropped to zero.

Question 16

A: Agree that the French position is crucial. This will be an important topic for discussion when President Giscard visits on 19/20 November. We believe our grievance is well understood and our position is wholly reasonable. We hope that French will assist us in Dublin in finding a solution.

UK CONTRIBUTION TO EEC BUDGETQuestions

1. You are setting your sights too high.
2. You talk about broad balance but you never indicate precisely what you want.
3. You are not a poor country - you have almost uniquely oil, gas, coal and fish in abundance.
4. Why should we be concerned about the UK's position when it is making such poor use of its natural attributes? If the UK would only sort itself out economically, its GNP would soon improve.
5. Although you are uniquely rich in many natural assets, you are singularly unwilling to place them at the disposal of the Community, so why should we help you now?
6. What do the British mean by "broad balance" - roughly what sort of reduction are we looking for in our net contribution?
7. All this could have been - and was - foreseen at the time of renegotiation; given that, why won't you accept a progressive solution? Wouldn't Britain stand a better chance at Dublin if we agreed to compromise along the lines indicated by the West Germans - i.e. a two-stage approach: Adjustment to the financial mechanism now, say, with reform of CAP later. What about other types of compromise - e.g. linkage?
8. You say you are not in the business of doing deals, but all life's a bargain - your attitude is surely unrealistic?
9. The best you can hope for is £600m. Why not take it, if it is offered?
10. All members of the club have to pay something for membership - to contribute towards its upkeep. On a GNP relation basis the cost to the UK comes to £160-£200m. So presumably you accept broad balance does not mean elimination of £1,000; but £800-840m.
11. You are in this predicament because you have to pay an excessively large amount of levies because you import such a large proportion of food from outside the Community.
12. You have not maximised your potential receipts from the Community.

13. Why the hurry to achieve a solution at Dúblin? [High rate of increase in our net contribution, enlargement, public expenditure policy at home, etc.].
14. How can you expect the rest of the Community to be sympathetic when you look at the history of British cold-shouldering of the EEC? British Government's attitudes are still "non-communautaire" in so many respects that it is unreasonable to ask the rest of the Nine to put its hand in its pocket for Britain. [This Government's commitment to Europe, EEC as priority markets for North Sea oil, abolition of exchange controls, etc.].
15. Doesn't Britain's Green Pound policy exacerbate the problem of our budgetary contribution?
16. Even if Britain manages to convince West Germany, Italy and some other members of the need for a correcting mechanism for the budget, how will we convince the French, whose support is essential for a speedy solution?