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CHANCELLOR OF THE EXCHEQUER

UK Net Contribution to the Community Budget

1. Thank you for your letter of 8 June. As you will now know from my minute of the same date to the Prime Minister (PM/79/51) I agree that we should look most carefully at what we want to get from the Strasbourg European Council. I enclose a revised text, which I understand the Prime Minister has approved, of the formulation we should like the Council to adopt.
2. As regards the supporting arguments we should use, I agree that we should not be at all inhibited from making our position clear, particularly since we have a much better basis for doing so than our predecessors. Equally I think we should avoid the enthusiasm they sometimes showed for slaughtering other people's sacred cows. For that reason I would prefer to avoid altogether the argument about "juste retour" etc, by using the formula in the attached draft. Of course we believe that "those with below average GNP per head should not be net contributors to the Budget". But I do not believe that our partners will in fact be persuaded to subscribe to such a form of words in the European Council conclusions. Nor do I think that we need try to force them to do so. Nor too do I think we should make any verbal assault on the concept of the "acquis communautaire" even if there are things about it which we are determined to change. As for "renegotiation", Schmidt and Genscher have both advised strongly against appearing to resuscitate that unloved word and I think they are right.
3. I agree that "resource transfers" are not a helpful concept. "Convergence of economic performance" on the other hand is Community's shorthand for saying that those with below

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