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Community Finance

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Contributions and GNP Shares of the Six

1. There will still be some discrepancies in 1975 under the "ressources propres" arrangements between the GNP shares of the Six and their shares of total contributions. This is because:

a. it was not an objective of the Six's financial agreement to equate GNP shares and shares of contributions, but only to go some way towards correcting imbalances which had previously developed;

b. the only countries who will be paying a much higher share of contributions than their GNP share are Holland and Belgium/Luxembourg. Both benefit from substantial entrepot trade through Rotterdam and Antwerp and the duties and levies they collect on this trade can quite reasonably be regarded as "belonging" to the Community as a whole. Holland is, in addition, a major beneficiary from the financial system, getting more back for every dollar she puts in than even France does.

The United Kingdom Share of Contributions

2. The paper we circulated to the Six last July showed that on our estimates of how the "ressources propres" system would affect us, we would by the end of the transitional period be paying 31 per cent of the enlarged Community's budget. This estimate was built up as follows:

i. The enlarged Community's budget was estimated as £4,500 million largely spent on agriculture - this was derived from published estimates by the Commission.

ii. We estimated that we would contribute £440 million from levy receipts and £700 million from duties.

iii. We made similar estimates of levy and duty contributions by the other Nine.

iv. The remaining contributions needed to make the total up to £4,500 million were assumed to be collected on a VAT basis and to be proportional to GNP shares.

v. Thus, although we would only pay 17 per cent of all VAT contributions (our GNP share), our share of the budget as a whole is much higher (31 per cent) because we are estimated to account for 45 per cent of all levy contributions and 33 per cent of all duty contributions (this reflects the fact that our imports from third countries, especially of food, would be far larger in relation to GNP, than those of the other members of the enlarged Community).

The Six have suggested that our estimates rather over-stated our likely contributions and substantially under-stated some of their contributions (e.g. German levies). We have never received a definitive reply from the Six (and the Commission's reply tried to show that forecasting was really impossible), but they would probably expect our share of total contributions to be about 25 to 26 per cent.

The Hague Communique

3. The Hague Summit Communique said (paragraph 7) that "the acceptance of a financial regulation for the final period does not exclude its adaptation by unanimous decision, especially in the context of an enlarged Community and on condition that the principles of this regulation are not altered". Mr Rippon, in commending our present proposals to the Six, has pointed out that we could have used this part of the Communique as justification for a request that the "ressources propres" system should be altered to make it more favourable to us; but we recognised that any such request would cause the Six great difficulty and therefore decided to accept the system as it stands, subject only to satisfactory transitional arrangements and a "safeguard clause".

Extract from a note of a meeting (PM-CBI) 8.3.71
Top copy on Industrial Relations, June 1970

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European Policy
EEC Pt 3

~~Mr. Adamson said that at present there were only loose ideas and much would depend on what stage of the inflationary down-turn had been reached and what the prospects were for growth. It was possible that the C.B.I. and the T.U.C. might come to an arrangement whereby both wage settlements and price changes would be scaled down over a period. Exceptions might have to be made for the lower paid.~~

~~Mr. Partridge said that the policy would inevitably need to bite on prices as well as wages but it would be difficult to see how prices could be dealt with unless there was some investigatory system which, as past experience showed, had tended to work against profitability. But the possibilities would need to be studied. The Chancellor said that it would be useful if both he and the Secretary of State for Employment could be kept in touch with the ~~development of the C.B.I.'s thinking.~~~~

Europe

Mr. Partridge said that the C.B.I. had no evidence of any weakening in support by industrialists for entry into the E.E.C. If a recession developed, sentiment might change, but at present the majority of British industry remained firmly in favour of entry. Both he and Mr. Adamson felt that the Government might do more to stress the political advantages of entry. The Prime Minister said that it was hoped to get the main issues settled by July. As solutions to the main problems emerged, this would make it easier to develop the case for entry, including the political advantages.

The Prime Minister asked what impressions Mr. Partridge and Mr. Adamson had formed from their recent visit to the United States. Mr. Adamson said that there were some anxieties in the United States about the Common Agricultural Policy and about the build-up within Europe of multi-national companies in fields of advanced technology where the United States had hitherto been pre-eminent. There was also a feeling that the United States, Britain and the E.E.C. should join together to put pressure on Japan to liberalise her own home market.