

# European Community

## News Release

### BACKGROUND NOTE

#### EC TAKES ANOTHER STEP FORWARD: BRITISH BUDGET CONTRIBUTION RESOLVED

After six months of intense negotiations, the European Community has succeeded in overcoming one of the most obdurate problems in its history, a problem which threatened to endanger the functioning of the Community institutions.

The nine EC member governments have all given their approval to an agreement, reached by the Council of Foreign Ministers on 30 May, to meet the United Kingdom's request for a reduction of its contribution to the Community budget.

The U.K. had requested a reduction of its share of total budget contributions, as it was on the verge of becoming the largest net contributor while having the third lowest per capita income.

This situation was chiefly due to the following factors:

- (1) The U.K. buys a significantly higher proportion of its imports (particularly foodstuffs) from non-EC countries, with the result that the U.K. pays more than other member states in custom duties and agricultural levies.
- (2) A higher proportion of GNP in the U.K. is accounted for by consumption (as opposed to investment) than in other member states; consumption is subject to value-added tax, a portion of which the U.K. pays over to the EC.
- (3) The U.K. has a very small farming population and therefore receives only a small share of the payments available under the Common Agricultural Policy, which accounts for over 70 per cent of EC spending.

The package which the Community member governments have agreed guarantees a reduction of some \$1.9 billion in 1980 and of some \$2.3 billion in 1981 from the United Kingdom's anticipated net contribution. If in 1980 and 1981 the refunds do not keep pace with the U.K.'s contributions, each member state will chip in additional amounts to keep the U.K.'s contribution near the agreed level. Meanwhile the Commission will seek to make structural changes in the Common Agricultural Policy which will keep the U.K.'s 1982 contribution in line with 1980 and 1981 levels. If these changes cannot be made in time, the member states will arrange another refund in 1982.

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In return for these refunds, the United Kingdom has accepted a 5 per cent increase in farm prices and a plan to establish a Community policy for sheepmeat. The U.K. will also liberalize British fishing policy so that trawlers from other EC member states will enjoy freer access to British waters.

Commenting on the package agreed by the Council of Ministers, the spokesman for the EC Commission said: "The Commission is glad to have been able to contribute to bringing about such a positive result. In the succession of Commission papers since last year the Commission refined the problem, suggested ways and means of solving it, and contributed the necessary political impetus... One of the most encouraging aspects of the negotiations last week was that from the beginning all concerned showed a strong desire to reach a settlement and negotiated with that in mind. Naturally ministers worked hard to defend their national interests and positions, but the common interest of a Community agreement was paramount with the result you know."

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Further information on this and other matters is available upon request from this office.