

bc: Mr Powell, No 10 ✓

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Qz.03794

FOREIGN AND COMMONWEALTH SECRETARY

*This is the minute case
that I spoke to you.
I think that it is a personal
basis to the foreign
Commonwealth Secretary*

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EUROPEAN COUNCIL, 25-26 JUNE

Despite the alarms and excursions of the last day or two, I think that all the other member states will agree on the following:-

- (i) one ad hoc year. If we present our position decisively, they will abandon their opening position of more than one ad hoc year and will not die in the last ditch against us;
- (ii) basing ourselves on 1622 million ecu on 1983 figures, ie on a payments basis;
- (iii) a settlement which is equivalent to a refund of 1100 million ecu on 1983 figures. It is possible that this may be expressed simply in terms of this figure. It is more probable in my view that the decision will be to give the United Kingdom in the revised Own Resources Decision a refund expressed as a percentage of the VAT share/expenditure share gap. 1100 as a percentage of 1622 million ecu is 67.82 per cent, or approximately 68 per cent. This is equivalent to an estimated average refund for the United Kingdom over the period 1985-88 of 60 per cent of the full unadjusted net contribution;
- (iv) the German problem will be dealt with either by a very forthcoming declaration or by setting a high threshold or by abating their contribution to the United Kingdom refund by one third. In each case we should be able to ensure that the effect on us is nil or minimal.

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2. Even if the negotiation starts with wilder propositions from the French Presidency, I think that we can get it back to the one ad hoc year/straight percentage refund system and carry the other member states with us. The real crux of the negotiation is how far, if at all, we can get them above the refund of two-thirds of the VAT share/expenditure share gap.

3. It does seem to me that, if the French Presidency starts on the wrong basis, we may need to bring it back on to a more acceptable basis by stating clearly that we will settle on one ad hoc year and the equivalent of either 1125 or 1100 million ecu expressed as a percentage of the VAT share/expenditure share gap of 1622 million ecu. There could be a serious danger of a rupture if the discussion remains on an unacceptable basis without a substitute proposal from us.

Df Williamson

D F WILLIAMSON

22 June 1984