

How much does the European Union cost Britain? 2007

by Gerard Batten



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1. Introduction

British politicians in favour of membership of the European Union have always represented it as predominantly an economic project to promote trade and economic co-operation, and indeed they have vigorously denied its political purpose.

If it is just an economic project then it would not be unreasonable to judge it on economic grounds – does it give value for money? How much does it cost Britain, and how much do we benefit from it? If there is no net financial or economic gain then how can it be judged as beneficial and worth continuing?

Since Britain joined the ‘European Economic Community’ in 1973 Parliamentarians have time and again called for a cost-benefit analysis to prove or disprove the economic benefits of membership, but successive Conservative and Labour governments have consistently refused on the grounds that the benefits are ‘self-evident’.

Establishing the exact costs of EU membership is not an easy task. The figures are often opaque and in some areas unavailable. Set out in this report are the known direct costs and indirect costs from official sources or as calculated by economists using the best available information. Where exact costs are not known conservative estimates have been made; the real costs are likely to be higher.

This report was first published in August 2006 and launched by the Bruges Group and gained widespread coverage in the national press. The Bruges Group have been kind enough to launch it again in 2007.

The author’s intention is to publish an updated version of this report every year that he continues to be a Member of the European Parliament or until the Government commissions an independent cost-benefit analysis.

2. Summary of the main findings

- By 2007 Britain will have made contributions to the EC budget of almost **£213.6 billion** gross or **£66.3 billion** net.
- By 2013 Britain will have made direct contributions to the EC budget in the region of **£299.8 billion** gross or **£102.2 billion** net.
- By 2006 Britain had an accumulated trade deficit with EU member states of **£359.5 billion**.
- The Common Agricultural Policy costs Britain at least **£15.6 billion** per annum.
- The Common Fisheries Policy costs Britain at least **£2.5 billion** per annum.
- Over-regulation costs Britain at least **£26 billion** per annum.
- Membership of the European Union costs Britain **£60.1 billion** per annum gross or £50.6 billion net.

That is:

Gross	Net
£5 billion per month	£4.2 billion per month
£1.1 billion per week	£973 million per week
£164.6 million per day	£138.6 million per day
£6.8 million per hour	£5.7 million per hour
£114,346 per minute	£96,271 per minute

- That is the equivalent for every man, women and child in Britain of **£1,002** per annum gross or **£843** net.
- Or the equivalent for every tax-payer in Britain of £1,939 per annum gross or £1,632 net.

This money would be better spent in Britain for the benefit of the British people.

3. Direct Costs

Britain has been one of the biggest net contributors to the EC (European Community) budget since she joined in 1973. The EC is the legal personality that has, among other things, responsibility for the Budget. The calculations of methods of payment are extremely complicated.

3.1 THE UK'S DIRECT CONTRIBUTIONS TO THE EC' BUDGET

The Own Resources Decision (ORD) (2000/597/EC), and the implementing regulation (2028/2004) lay down the legal basis and system for financing the EC Budget² (and they also include the provision for the UK rebate).

Britain's gross contributions to the EC budget are made up of:

- **Traditional Own Resources (TOR)**, consisting of customs duties, agricultural duties and sugar levies collected by member states on behalf of the EU.

TOR payments are made on the basis of what Member States collect, deducting 25% for collection costs. Payments are made on the first working day after the 19th of each month, and occur two months in arrears. Payments are made into the 'EC No 1 Account' which is the Commission's bank account in the UK. The bank does not pay interest on this account.

- **VAT Based Own Resources, and Gross National Income (GNI) Based Own Resource Payments.** The adopted EC budgets, or any subsequent amending budget, indicate the total VAT and GNI based contributions (and the UK rebate) for each year. Payments are made on the first working day of each month.

A proportion of VAT revenue is paid to the EC. The GNI payment is a proportion of Gross National Income that is paid to the EC. Payments are made in 12/th, or a proportion thereof. Regulations allow the Commission to call up additional VAT based and GNI based contributions, up to two additional 12/th of each, so that in the first quarter up to 5/12ths of each element may be paid. This process also applies to the UK rebate. After the first quarter, payments will be in 12/th, or less, depending on whether the above process has been used, so that the Member States pay exactly the amount agreed in the adopted budget.

These payments are made in accordance with the s2(3) of the ECA (European Communities Act) 1972 which states the UK's obligations towards financing the EU budget. VAT, GNI, and the UK rebate payments are converted from the euro figures shown in the adopted EC Budget using the exchange rate on the last working day of the preceding year. The proportion of VAT and GNI payments made by Britain will vary, but the total amount of payments by member states cannot exceed 1.24% of the GNI of the European Union.³

3.2 THE UK REBATE

The British rebate was established by the European Council at Fontainebleau in 1984 as a result of Prime Minister Margaret Thatcher's insistence that the proportion of the UK's contributions were unfair. The special situation of the UK was characterised by two factors:

- A small agricultural sector resulting in very low Community agricultural spending in the UK
- A large contribution to the financing of the Community budget because of the large proportion of the country's GNP (Gross National Product) accounted for by the VAT base.

The UK correction mechanism was introduced in 1985 to correct the imbalance between the UK's share in payments to the Community budget and its share in Community expenditure allocated to the Member States. Although this mechanism has been modified on several occasions due to the changes in the system of EC budget financing, the basic principles remained the same.

Just before Christmas 2005, at the end of the British Presidency of the European Council, Prime Minister Tony Blair agreed a new EC budget for the period 2007-2013. Although he was under no obligation to do so he surrendered a large portion of the British rebate over that period. When addressing a meeting of the European Parliament on 20th December 2005, at which the author of this report was present, Mr Blair justified his surrender of British rebate on the grounds that the new EC budget would, "transfer wealth from rich countries to poor countries", and that we were "investing in Eastern Europe". This commitment was not something mentioned in the Labour manifesto prior to the 2005 general election; and investors normally expect to get a return on their investment, so Mr Blair's language was deceptive.

3.3 THE UK CONTRIBUTION TO THE 2007-2013 BUDGET

The figures in the table below were taken from Hansard for 8th February 2006. Lord Lawson of Blaby asked H.M. Government how much the UK would contribute to the EU budget from 2007 to 2013. Replying for the Government Lord McKenzie of Luton gave the following figures (shown in billions).

	UK Gross Contributions	EU Spending in the UK	UK Rebate	UK Net Contribution
2007	£14.2	£5.6	£3.9	£4.7
2008	£14.6	£5.2	£4.6 to £4.7	£4.6 to £4.7
2009	£13.7	£4.2	£4.8 to £4.9	£4.6 to £4.7
2010	£14.4	\$4.6	£3.8 to £3.9	£6.0 to £6.1
2011	£14.1 to £14.5	£4.2	£3.5 to £4.1	£6.0 to £6.8
2012	£14.1 to £14.5	£4.2	£3.5 to £4.1	£6.0 to £6.8
2013	£14.1 to £14.5	£4.2	£3.5 to £4.1	£6.0 to £6.8
Totals	£98.8 to £100.4	£32.2	£27.6 to £29.7	£37.9 to £40.6

The figures for Britain's contribution for the period 2000 to 2006 (see table under item 3.5) were **£76.105 billion** gross and **£22.896 billion** net. Compared to these the Government's estimated figures for 2007 to 2013 show that the UK's gross contributions will rise by up to 31.92% gross, and the net contribution by up to a hefty 77.32%.

Some explanation of how the contributions are made up is required:

UK Contributions: This gross figure includes TOR (Traditional Own Resources). The EU regards customs duties not as a contribution but as its own levy, merely collected by H.M Government on its behalf. The EU allows Britain to keep 25% to cover collection costs.

EU Spending in the UK: These funds come mainly from the European Agricultural Guidance & Guarantee Fund (EAGGF) and the Social & Regional Development Fund. The majority of these funds are either paid to or used to support the private sector, but are channelled through Government departments. It should never be forgotten that although the EU spends money in the UK **it is our own money**, and the EU uses UK taxpayers' money to promote itself for propaganda purposes.

UK Rebate: The Rebate only applies to spending within the EU. Expenditure outside the EU (mainly on overseas aid) is excluded. The rebate is deducted at the point of payment and not awarded at the end of the year; **the rebate is deducted a year in arrears⁴, for example the rebate in 2002 relates to UK receipts and payments of 2001.**

3.4 PUTTING THE FIGURES IN PERSPECTIVE

These are telephone number figures and difficult to relate to real life. In order to try and understand what they mean in terms of real money let's look at the estimated figures for 2006 and 2007 and how they break down, and then compare those to the upper estimate of the figures for 2013.

	Per Annum	Per Month	Per Week	Per Day	Per Hour	Per Minute
Gross 2006	£12.426bn	£1.035bn	£238.9m	£34.04m	£1.4m	£23,642
Net 2006	£3.909bn	£325.7m	£75.153m	£10.7m	£446,233	£7,437
Gross 2007	£14.2bn	£1.183bn	£273m	£38.9m	£1.6m	£27,000
Net 2007	£4.7bn	£391.666m	£90.384m	£12.876m	£536,530	£8,942
Gross 2011 to 2013	£14.5bn	£1.2bn	£278.8m	£39.7m	£1.6m	£27,588
Net 2011 to 2013	£6.8bn	£566.6m	£130.7m	£18.6m	£776,256	£12,938

3.5 THE UK'S DIRECT CONTRIBUTIONS TO THE EC BUDGET 1973-2007

The table shows gross contributions minus public sector receipts and negotiated abutments, to arrive at net contributions.

Calendar Year	Gross	Public Sector	Negotiated	Net Contributions
1973	£ 181	£ 79	0	£ 102
1974	£ 179	£ 150	0	£ 29
1975	£ 341	£ 398	0	£ 57
1976	£ 463	£ 296	0	£ 167
1977	£ 737	£ 368	0	£ 369
1978	£ 1,348	£ 526	0	£ 822
1979	£ 1,606	£ 659	0	£ 947
1980	£ 1,767	£ 963	£ 98	£ 706
1981	£ 2,174	£ 1,084	£ 693	£ 397
1982	£ 2,862	£ 1,240	£ 1,019	£ 603
1983	£ 2,976	£ 1,521	£ 807	£ 648
1984	£ 3,201	£ 2,017	£ 528	£ 656
1985	£ 3,925	£ 1,853	£ 227	£ 1,845
1986	£ 4,493	£ 2,216	£ 1,701	£ 576
1987	£ 5,202	£ 2,345	£ 1,153	£ 1,704
1988	£ 5,120	£ 2,182	£ 1,595	£ 1,343
1989	£ 5,587	£ 2,116	£ 1,156	£ 2,315
1990	£ 6,355	£ 2,183	£ 1,697	£ 2,475
1991	£ 5,807	£ 2,765	£ 2,497	£ 545
1992	£ 6,738	£ 2,827	£ 1,881	£ 2,030
1993	£ 7,985	£ 3,291	£ 2,539	£ 2,155
1994	£ 7,189	£ 3,253	£ 1,726	£ 2,210
1995	£ 8,889	£ 3,665	£ 1,207	£ 4,017
1996	£ 9,109	£ 5,092	£ 2,412	£ 1,605
1997	£ 8,261	£ 4,658	£ 1,739	£ 1,864
1998	£ 10,265	£ 4,105	£ 1,384	£ 4,776
1999	£ 10,524	£ 3,466	£ 3,176	£ 3,882
2000	£ 10,518	£ 4,241	£ 2,085	£ 4,192
2001	£ 9,379	£ 3,430	£ 4,560	£ 1,389
2002	£ 9,438	£ 3,201	£ 3,099	£ 3,138
2003	£ 10,966	£ 3,728	£ 3,559	£ 3,679
2004	£ 10,895	£ 4,294	£ 3,593	£ 3,008
2005	£ 12,483	£ 5,329	£ 3,572	£ 3,581
2006	£ 12,426	£ 4,948	£ 3,569	£ 3,909
2007	£ 14,200	£ 5,600	£ 3,900	£ 4,700
Totals in billions	£ 213.589	£ 90.089	£ 57.172	£ 66.327

Note: Figures shown in millions, totals in billions.

Figures may be subject to revision up to four years retrospectively.⁵

3.6 HIDDEN COSTS

Britain's direct contributions do not represent the total monies transferred to the EU: more money is transferred than we actually know about. The direct contributions exclude those payments made by the UK Treasury to other constituent parts of the EU. For example some of the money we pay to the EU Overseas Aid budget is not included in the usual budget figures, and some payments to the Common Agricultural Policy may also not be included.

The costs identified over a five year period 2000 to 2004 are **£9.1 billion**,⁶ an average of **£1.8 billion** per annum. It is not unreasonable to assume this figure will continue to rise annually from 2005 to 2013; however in the absence of current firm figures it is assumed that the figure of £1.8 billion will apply 2006 and 2007 (see item 5).

4. Indirect Costs

4.1 THE COMMON AGRICULTURAL POLICY

The CAP is the most notorious indirect cost of membership, and represents subsidies to EU farmers, the single biggest beneficiary being the French. The CAP ensures that the French get back 98% of their total contributions to the EU budget. Britain does not claw back the agricultural subsidies which we are entitled to, as this would invalidate the British rebate.

About 19% of the UK's agricultural imports come from outside the EU and these are subject to the Common External Tariff (an EU tax on imports from outside the EU). So Britain pays twice, first into the CAP, and second through taxes on its food imports from outside the EU.

Over the years various organisations have attempted to estimate how much the CAP costs British consumers in additional food bills. The Consumer Association and the Trade Justice Movement have estimated that the CAP costs an average British family of four an additional **£20** on their weekly food bill (£1,000 per year). CAFOD (Catholic Agency for Overseas Development) has estimated the cost to an average European family of four at **£16** a week.⁷

The CAP hits hardest those who pay proportionally more of their income on food (e.g. pensioners and families on low incomes) and those poorer countries who depend on agricultural cash crops for the bulk of their exports.

Ian Milne⁸ estimates that the net cost of the CAP to Britain is between 1.2% to 1.7% of GDP.⁹ In 2003 Professor Patrick Minford puts the cost of the CAP at £15 billion per annum, or 1.5% of national income.¹⁰ Using Ian Milne's percentages, and looking back to 2004, we arrive at the following figures.

UK GDP ¹¹ and estimated cost of CAP				
	UK GDP	CAP at 1.2% of GDP	CAP at 1.5% of GDP	CAP at 1.7% of GDP
2004	£1,184 bn	£14.2 bn	£17.7 bn	£20.1 bn
2005	£1,234 bn	£14.8 bn	£18.5 bn	£21 bn
2006	£1,299 bn	£15.6 bn	£19.5 bn	£22 bn

Using the lowest estimate of 1.2% of GDP for 2006 as the cost of the CAP we arrive at £15.6 billion per annum. The GDP figure for 2007 is currently unknown and is likely to rise above that of 2006; therefore the cost of the CAP at **£15.6 billion** per annum for 2007 is a conservative estimate and likely to be lower than the real cost.

4.2 THE COMMON FISHERIES POLICY

When Prime Minister Edward Heath took Britain into the EEC in 1973 he surrendered control of Britain's national fishing grounds to the EU. The Common Fisheries Policy is probably the single most disastrous EU policy of all. The industrialised fishing fleets of EU member countries have ravaged Britain's formerly fertile fishing grounds and the EU's quota system sees millions of fish thrown back into the sea dead because they are not allowed to be landed under EU quota rules. The CFP is an economic, ecological and moral obscenity.

The Common Fisheries Policy has crippled Britain's fishing industry and resulted in tens of thousands of jobs being destroyed. The Marine & Fisheries Authority confirmed to the author that they have carried out no studies on the impact of the CFP on the UK economy; they also confirmed that, "we cannot identify UK waters: they are now identified as being part of EC waters." It beggars belief that the British Government do not have the foggiest notion of what the CFP costs Britain and don't even bother to identify UK waters in relation to the statistics they do keep.

Arriving at a figure for the cost of the CFP is somewhat difficult. According to DEFRA's figures in 2005, the UK registered vessel value of the total catch in EU waters was **£571 million**. This amounted to about 13% of the total value of the catch. The value of the total catch must therefore be in the region of £4.4 billion. About 70% of the value of the total catch comes from what were formerly UK waters. **£4.4 billion** minus the 30% value caught outside UK waters is £3 billion. If the £571 million value of the UK registered vessel catch is subtracted from £3 billion we are left with a figure of almost **£2.5 billion**.¹²

In the absence of any official figures to the contrary it can be calculated that the cost to the British economy of the CFP is currently running at a minimum of £2.5 billion per annum.

This does not take into account the historic losses to the British economy which must run into many billions, represented by the fish we lose to the EU fishing fleet, boat building, maintenance, jobs, processing of fish and fish products etc, and the cost of buying fish from foreign suppliers. If known, the real cost to the UK economy of the CFP would be much higher.

4.3 EU OVER-REGULATION

It is now estimated that 80% of Britain's new laws now originate in the European Union.¹³ The European Union has an insatiable appetite for passing new Directives and Regulations. Compliance with these laws has a direct effect and costs on government, private organisations and business; these costs are passed on to taxpayers and consumers.

Much of this regulation is aimed at 'harmonisation' concerning the Single Market. Theoretically, in order to permit the free movement of goods and services, it is necessary for all member states to have the same minimum standards of product safety, technical specifications and so on; however only about 10% of the UK economy is concerned with exports to other EU countries, about 10% is concerned with international trade, and 80% is concerned purely with the UK domestic economy. Nevertheless one hundred per cent of British businesses are burdened with compliance with unnecessary (and often incompetent) regulation.

The British Chamber of Commerce publishes a 'Burdens Barometer' which attempts to set out some of the costs of over-regulation, and is based on the Government's own Regulatory Impact Assessments (RIA) which began in 1999. The BCC figures show accumulative costs as follows:

British Chamber of Commerce Burdens Barometer	
Year	Cumulative Cost Per Annum in Billions
2001	£10 bn
2002	£15 bn
2003	£20.6 bn
2004	£30 bn
2005	£38.9 bn
2006	£50.27 bn
2007	£55.66 bn

These figures give a total cumulative cost of **£55.66 billion** for the period 2001 to 2007 but the Burdens Barometer covers only about 70% of all the RIA's produced. Not all EU Directives are covered by RIAs, and more numerous EU Regulations, which are automatically binding in member states without national parliamentary approval, are not covered by RIAs. Therefore these figures show only part of the cost of EU over-regulation.¹⁴

The former Dutch Deputy Prime Minister and Finance Minister, Mr Gerrit Zalm, has calculated that the cost to Holland of EU over-regulation is about 2% of Gross Domestic Product. This figure is confirmed by Ian Milne in *A Cost Too Far*, published by Civitas in 2004.

It is not unreasonable then to calculate the cost of EU over-regulation at **2% of GDP**, and on that basis, and looking back to 2004, the costs would be as follows.

UK GDP and estimated cost of Over-Regulation		
Year	UK GDP	Over Regulation at 2% of GDP
2004	£1,184 bn	£23.6. bn
2005	£1,234 bn	£24.7 bn
2006	£1,299 bn	£26. bn

On this basis it is not unreasonable to estimate that by 2007 the cost of over-regulation will be in excess of **£26 billion** per annum.

5. Summary of the Annual Direct and Indirect Costs

5.1 ESTIMATED GROSS FIGURES

	2006	2007
Gross Contributions to Budget	£12.4 bn	£14.2 bn
Other Payments to EU	£1.8 bn	£1.8 bn
Common Agricultural Policy	£15.6 bn	£15.6 bn
Common Fisheries Policy	£2.5 bn	£2.5 bn
EU Over-Regulation	£26 bn	£26 bn
Total	£58.3 bn	£60.1 bn

These figures assume that the cost of the CAP, CFP, over-regulation and other payments to the EU will remain more or less the same in 2007.

Let's put these telephone number figures in perspective.

	Per Annum	Per Month	Per Week	Per Day	Per Hour	Per Minute
2006	£58.3 bn	£4.8 bn	£1.1 bn	£159.7 m	£6.6 m	£110,921
2007	£60.1 bn	£5 bn	£1.155 bn	£164.6 m	£6.8 m	£114,346

5.2 ESTIMATED NET CONTRIBUTIONS AND INDIRECT COSTS

The British rebate, while it is deducted at point of payment, is calculated yearly in arrears, and the EU money spent in the UK is of course our own money, so it is reasonable to use the gross figures for the purposes of calculating the total cost of EU membership. But in the interests of fairness, here are the figures recast using the net budget contribution.

	2006	2007
Net Contributions to Budget	£3.9 bn	£4.7 bn
Other Payments to EU	£1.8 bn	£1.8 bn
Common Agricultural Policy	£15.6 bn	£15.6 bn
Common Fisheries Policy	£2.5 bn	£2.5 bn
EU Over Regulation	£26 bn	£26 bn
Total	£49.8 bn	£50.6 bn

Let's put these figures in perspective too.

	Per Annum	Per Month	Per Week	Per Day	Per Hour	Per Minute
2006	£49.8 bn	£4.1 bn	£957.6 m	£136.4 m	£5.6 m	£94,749
2007	£50.6 bn	£4.2 bn	£973 m	£138.6 m	£5.7 m	£96,271

Here is another way of looking at these costs, which is the cost per person in the UK (given an official population figure of 60 million), and the cost per tax-payer. The Inland Revenue give the number of taxpayers 2006/2007 at 31 million people.

On that basis the figures are:

	Per Man, Woman & Child in the UK	Per Tax Payer in the uk
Gross Costs 2006	£972	£1,881
Net Contributions plus Indirect Costs 2006	£830	£1,606
Gross Costs 2007	£1,002	£1,939
Net Contributions plus Indirect Costs 2007	£843	£1,632

6. Britain's Balance of Payments with the EU and the World 1973 – 2006

We were told that membership of the 'Common Market' would facilitate trade, but if we look at the balance of trade figures for the countries of the European Union we see that Britain has an accumulated trade deficit with the EU of **-£359.5 billion** up to 2006, whereas we have a trade surplus of almost **£9.1 billion** with non-EU countries. EU membership has certainly not increased our profitable trade with EU countries. Devices such as the Common External Tariff (taxes on imports), and the Common Agricultural Policy, have distorted Britain's trade patterns adversely, preventing us buying more beneficially on the world market: see following table.

Calendar Year	Balance with EU Countries Trade and Services	Balance with non Eu Countries in Trade and Services	Balance with the World in Trade and Services
1973	-£ 1,674	£ 678	-£ 996
1974	-£ 2,592	-£ 590	-£ 3,182
1975	-£ 2,831	£ 1,308	-£ 1,523
1976	-£ 2,536	£ 1,764	-£ 772
1977	-£ 2,215	£ 2,268	£ 53
1978	-£ 2,920	£ 4,043	£ 1,123
1979	-£ 2,995	£ 2,542	-£ 453
1980	£ 815	£ 2,028	£ 2,843
1981	£ 1,694	£ 5,054	£ 6,748
1982	£ 813	£ 3,836	£ 4,649
1983	£ 41	£ 3,488	£ 3,529
1984	-£ 1,029	£ 2,511	£ 1,482
1985	-£ 1,496	£ 3,734	£ 2,238
1986	-£ 8,832	£ 7,968	-£ 864
1987	-£ 12,889	£ 8,086	-£ 4,803
1988	-£ 18,175	£ 1,700	-£ 16,475
1989	-£ 20,811	-£ 1,587	-£ 22,398
1990	-£ 18,393	-£ 353	-£ 18,746
1991	-£ 5,793	-£ 2,161	-£ 7,954
1992	-£ 11,823	£ 1,690	-£ 10,133
1993	-£ 13,207	£ 2,451	-£ 10,756
1994	-£ 12,523	£ 10,104	-£ 2,419
1995	-£ 12,500	£ 9,608	-£ 2,892
1996	-£ 5,485	£ 1,296	-£ 4,189
1997	-£ 4,845	£ 5,349	£ 504
1998	-£ 5,923	-£ 2,032	-£ 7,955
1999	-£ 8,928	-£ 6,301	-£ 15,229
2000	-£ 7,299	-£ 11,951	-£ 19,250
2001	-£ 14,379	-£ 12,566	-£ 26,945
2002	-£ 24,936	-£ 6,615	-£ 31,551
2003	-£ 29,708	-£ 1,274	-£ 30,982
2004	-£ 30,697	-£ 3,778	-£ 34,475
2005	-£ 37,413	-£ 6,765	-£ 44,178
2006	-£ 38,039	-£ 16,398	-£ 54,437
Totals in billions	£ 359.523	£ 9.135	-£ 350.388

Note: Figures shown in millions, totals shown in billions.
Figures may be subject to revision up to four years retrospectively.¹⁵

7. Fraud

The subject of EU fraud deserves a study in its own right, and limited space here will not do justice to the scale with which money is defrauded, or the ingenuity with which it is carried out. Marta Andreasen, the European Commission's former chief accountant was famously dismissed by former vice-president of the Commission Neil Kinnock after 'whistle-blowing' on financial mismanagement within the Commission itself.

The EU's own auditors have refused to sign off the accounts for the past twelve years. If the EU were any other kind of public organisation it would be closed down and investigated by the police. The EU protests that much of the budget that fraudulently disappears does so 'downstream' after money that has been allocated to member states disappears in-country. But it is the EU's own accounting procedures which make this possible.

The Court of Auditors admits that 80% of all taxpayers' money is never properly accounted for. Some estimates put that at 95%. The EU's own financial regulation 2342/2002 Article 87 (4) says that there is no need to attempt recovery of any sum less than €1 million.

Fraud may occur in the following way: the EC makes a payment for a project to a 'responsible local authority', which is expected to release funds to those running the project; there may be co-signatories to the account, but not necessarily; if problems arise the member state's own auditors may decide not to act, on the basis that it is 'EU money' and not their problem. When money disappears everyone blames someone else and very little is likely to happen.

The EC has its own financial investigation office known as OLAF. However in seven years of OLAF's existence there has been no successful conviction of any major fraud or any funds recovered.

In a report published in July 2007 the European Commission estimated that fraud amounted to **£220 million** per annum, equivalent to £1 million **per working day**. While the total number of fraudulent transactions was about the same the value of those transactions was up by 11.5% compared with 2005.¹⁶

This cannot be counted as an additional cost as it comes out of the EC budget, but hundreds of millions of pounds of taxpayers' money is stolen from the EU every year.

8. More Wasted Money

Apart from the direct costs and the indirect costs enormous amounts of money are wasted on EU projects. These may be separated into those that fall inside the EC budget, and those outside the EC budget, and therefore additional costs.

8.1 PROJECTS OUTSIDE THE EC BUDGET

Galileo

Galileo is the name of an EU satellite system intended to rival the USA's GPS system. Originally it was planned to be financed on the basis of one third being paid for by the EC budget, and the other two thirds funded by the private sector.¹⁷ Because Galileo is not commercially viable, and because of an almost complete lack of interest from private investors, there will be an additional cost of €2 billion to EU taxpayers. This will mean that the UK's contribution to this unnecessary project, which is politically motivated as opposed to commercially driven,¹⁸ will be increased.

In a reply to Bernard Jenkin MP in May 2007, the Minister for Europe Geoff Hoon confirmed that the UK's contribution to the project so far was £276.3 million. This includes £134.3 million that Britain has contributed as part of the EC budget and means that an additional £142 million has been paid towards this project by H.M. Government.

Preparing for the European Single Currency

Britain has spent untold millions in preparation for possible entry to the euro. Gordon Brown as Chancellor of the Exchequer admitted that the Inland Revenue and Customs & Excise had spent £20 million on preparations in the 2000/2001 financial year, following spending of £6.3 million in the preceding year.¹⁹

The public sector spent about **£27 million** in 1999, and the Bank of England spent about **£17 million**.²⁰ Millions more pounds have been spent by Government bodies, like the NHS, as part of the Outline National Changeover Plan. No comprehensive figures for the overall costs have been published.

8.2 PROJECTS INSIDE THE EC BUDGET

Wine Industry Subsidies

Approximately **€1.3 billion** per annum is spent subsidising the wine industry, about **€500 million** of which pays for distilling surplus wine into disinfectants or industrial alcohol. English and Welsh wine makers have never benefited from the market support measures that are central to the current EU wine regulations.

Strasbourg Parliament

The Strasbourg Parliament building is used by MEPs for only four days, twelve times a year. This is necessary because the French insisted in the Treaty that the Parliament meet on French soil for twelve sessions per annum. The cost of moving MEPs and all their goods and chattels from Brussels to Strasbourg is about €200 million per annum.

Translation and interpretation

These services for the Parliament, Commission, Council, Economic and Social Committees, and the Committee of the Regions accounts for about 1% of the EC budget. There are currently 23 official EU languages, whereas the United Nations uses only six official languages. In 2006 the estimated costs were **€800 million** per annum.²¹ This is due to rise by another **€30 million** due to Irish becoming an official language and the accession of Bulgaria and Romania.

These are a just a few examples of how money is wasted within the EC budget, and the enormous costs incurred in addition to the EC budget on EU related projects.

9. Can Britain afford the European Union?

Even among those in favour of Britain's membership of the European Union few would try to defend the Common Agricultural Policy or Common Fisheries Policy. They usually cite the benefits of increased trade through the Single Market as outweighing the costs. But is this true?

There is no convincing evidence that the Single Market has delivered any net benefits to the UK.²² However the former vice-President of the EU, Neil Kinnock, has conceded on BBC Radio 4²³ that were Britain to leave the EU there would be "no trade recriminations", it follows that there would be no loss of jobs and trade would continue as normal. The one argument that has sustained British europhiles over the last three decades has been the idea that the EU was really about free-trade and competition. However French President Nicolas Sarkozy successfully removed the reference to 'free and undistorted trade' from the preamble of the Reform Treaty which replaces the failed European Constitution.

The British Government responded by insisting on the insertion of a protocol to the effect that there would be no legal change in relation to competition policy; but this is not likely to offer any safeguards, as in the past the European Court of Justice has interpreted preambles to treaties as defining the EU's goals and has made its decisions accordingly. The idea that the EU is about creating a 'common market' is now officially dead.

In its Europe 2006 report the Swiss Federal Government has published a clear exposition of the various costs and benefits of Switzerland's possible relationships with the EU. It concluded that full membership would be up to six times more costly than its existing trading agreements with the EU, and therefore has sensibly decided not to apply for membership.

Leaving the EU would put Britain in a very strong position to establish a trading agreement with the EU. 29 Countries already have a trading agreement of some kind: nine European countries (including Norway and Switzerland), six North African countries, and 14 from the rest of the world. A further 33 countries are negotiating free-trade/preferential trade agreements. In addition to these, 77 nations represented by the ACP (African Caribbean Pacific) organisation, are negotiating economic partnership agreements.

These countries total 139, or 71% of countries of the world. **If they do not need to be members of the EU in order to trade with Europe why does Britain?**

10. A Challenge to the Government

If the Government believes that membership of the EU is beneficial to Britain, and that we should remain a member, then let it commission an impartial and independent cost-benefit analysis so that the benefits they allege can be proved and the findings openly debated.

This report is an attempt to arrive at the main costs and is compiled from the figures available from official and reputable sources. It is true that some figures are hard to establish, and no research has been carried out by successive governments in order to establish the overall impact of EU membership on the economy.

The European Union is heading towards the culmination of its real political purpose which is to create a **United States of Europe**. Its real purpose has never been about trade and economic co-operation. The British people should be presented with the full facts and figures so that they can decide, by means of a referendum, if the economic, political and constitutional costs are offset by any material benefits.

The last referendum on continued EU membership was held in 1975. That means that no-one in Britain under the age of fifty has had the opportunity to have their say in a referendum on what is the most important issue in politics and national life.

Let the British people decide if the price of EU membership is worth paying.

NOTES

- 1 The EC has legal personality and is controlled by the European Commission. The EU is controlled by the European Council (heads of member states) and does not have legal personality. The plan to give the EU legal personality was central to the defeated European Constitution (2005) and will be central to the proposed 'Reform Treaty'.
- 2 To be replaced by Own Resources Decision of 7th June 2007 (2007/436/EC, Euratom – OJL 163, 23/06/2007) but not yet in force, pending the ratification by Member States of Article 269 of the Treaties.
- 3 House of Lords' *European Union*, 12th Report published March 2007.
- 4 Statement on the 2006 EC budget and measures to counter fraud and financial mismanagement. May 2006. <http://www.hm-treasury.gov.uk/media/7/5/ecbudget250506.pdf>
- 5 Figures 1972-1996 compiled from 'The Euro – Bad for Britain' published by the European Research Group and thereafter from H.M. Treasury Pink Book.
- 6 John Mills, Labour Euro Safeguards Campaign Bulletin, July 2006.
- 7 CAFOD. The Rough Guide to the CAP. A CAFOD Briefing 2002.
- 8 Ian Milne, Director of the cross-party think-tank Global Britain since 1999. is chairman of various companies and has degrees in engineering and business administration, and a forty year career in industry. He is the author of *A Cost Too Far*, published by Civitas July 2004.
- 9 *A Cost Too Far* by Ian Milne. Published by Civitas July 2004.
- 10 Professor Patrick Minford. Speech to the Bruges Group, 11th June 2003.
- 11 H.M. Treasury, Blue Book 2007. GDP at current prices.
- 12 British registered boats may be EU vessels flying under a flag of convenience, and genuine British vessels may catch some fish outside British waters.
- 13 In an article for the newspaper Welt am Sonntag, in January 2007 former German President Roman Herzog said that 84% of German laws stemmed from the EU. A similar figure for the UK must also apply.
- 14 *A Cost Too Far* by Ian Milne. Published by Civitas 2004.
- 15 Figures compiled 1973 – 1995 from the Central Statistical Office and 1996 onwards from H.M. Treasury Pink Book.
- 16 Daily Express 10th July 2007. By Macer Hall, Political Editor.
- 17 *Open Europe, Crunch Time for Galileo, will the UK agree to bail out the EU's collapsing satellite project?*
- 18 It was reported in the Financial Times, 4th May 2007, that an executive close to Galileo stated, "*The market is just not there. We are too optimistic. GPS is fine for most purposes.*"
- 19 The Independent, 10th March 2000
- 20 <http://www.publications.parliament.uk/pa/cm199899/cmhansrd/vo9907/debtext/90706-30htm>
- 21 http://ec.europa.eu/dgs/translation/navigation/faq-/faq_facts_en.htm
- 22 *A Cost Too Far* by Ian Milne, published by Civitas 2004.
- 23 BBC January 2001.

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