

How much does the European Union cost Britain?

by Gerard Batten



How much does the European Union cost Britain?

by Gerard Batten
*UK Independence Party Member of the
European Parliament for London*

© The Bruges Group 2006

Published in August, 2005 by
The Bruges Group, 232 Linen Hall, 162-168 Regent Street, London W1B 5TB

www.brugesgroup.com

Bruges Group publications are not intended to represent a corporate view of European and international developments. Contributions are chosen on the basis of their intellectual rigour and their ability to open up new avenues for debate.

By 2007 the combined direct and indirect costs of EU membership will cost Britain close to £100,000 per minute.

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 benefits of membership; 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 easy. Set out on the following pages are the known direct costs and the indirect costs as calculated by economists from the best information available. Where exact costs are not known conservative estimates have been made; the real costs are likely to be higher.

Contents

1	Direct Costs	5
2	Indirect Costs.....	9
3	Summary of the Annual Direct and Indirect Costs	11
4	Other money wasted.....	12
5	Britain's Balance of Payments	12
6	Can Britain afford the European Union?.....	14
7	A Challenge to the Government	15

1 Direct Costs

1.1 Britain's Direct Contributions to the EU Budget

Britain's gross contributions to the EU budget are made up of: **Traditional Own Resources**, consisting of customs duties, agricultural duties and sugar levies collected by member states on behalf of the EU; VAT **Based Own Resources**, levied on a notional harmonised VAT base;

Gross National Income (GNI) Based Own Resource Payments, a residual instrument to balance the budget after the other own resource payments are taken into account.

Just before Christmas 2005 Prime Minister Tony Blair agreed a new EU budget for the period 2007–2013. Mr Blair surrendered £7.1 billion of the British rebate over that period. He said it was necessary to “*Transfer wealth from rich countries to poor countries*”, and “*invest in Eastern Europe*”.

In April 2006 Budget Commissioner Dalia Grybauskaite revealed that the true cost of the budget overall would rise from **£578** billion to **£604** billion. The total budget, taking into account various contingency funds, will be about **£629** billion.

Britain's annual net contribution of £4.7 billion in 2007 will rise year on year to 2013. Britain's total contribution will be in excess of **£44** billion net, and **£100** billion gross.

Let's look at the estimated costs for 2006 and how they will rise in 2007.

	UK Contribution	EU Spending in UK	UK Rebate	UK Net Contribution
2006	£12.824bn	£5.188bn	£3.338bn	£4.298bn
2007	£14.2bn	£5.6bn	£3.9bn	£4.7bn

To put these telephone number figures in perspective they can be broken down as follows.

	Per Annum	Per Month	Per Week	Per Day	Per Hour	Per Minute
Gross 2006	£12.824bn	£1.068bn	£246.6m	£35.134m	£1.464m	£24,399
Net 2006	£4.298bn	£358.166m	£82.653m	£11.775m	£490,639	£8,177
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

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

EU Spending in the UK: Although the EU spends money in Britain on various projects, this is our own money that we could have otherwise spent ourselves. Taxpayers' money is used by the EU to promote itself for propaganda purposes.

UK Rebate: This was negotiated by Mrs Thatcher in 1984 in order to redress gross inequalities in UK contributions. Tony Blair surrendered a significant part of the rebate in 2005, and the EU intends that it should eventually disappear completely.

1.2 UK Financial Contributions to the EU Budget 1973 - 2006

Calendar Year	Gross Contributions £	Public Sector Receipts £	Negotiated Abatements & Refunds £	Net Contribution £
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	12,567	5,307	3,656	3,604
2006 (estimate)	12,824	12,824	5,188	4,298
Total in billions	199.871	84.707	53.125	62.039

Figures shown in millions.

1.3 This is not the whole story regarding direct contributions

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**¹. An average of **£1.8 billion** per annum. This can be expected to rise annually over the budget period 2007 to 2013.

2 Indirect Costs

2.1 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 agricultural subsidies which we are entitled to do. Of the UK's agricultural imports 19% come from outside the EU and these are subject to the Common External Tariff.

Various organisations such as the Consumer Association and the Trade Justice Movement have estimated that the CAP costs a British family of four at least an additional **£20** on their weekly food bill (£1,000 per year). About half of this is made up of higher taxes in order to subsidise farmers, and half through higher food bills compared to what we would pay for the same food on the world market. So Britain pays twice, first into the CAP, and second through taxes on its food imports from outside the EU.

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.

The total cost is estimated at **£15.6 billion** per annum.

2.2 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 dead into the sea because they are not allowed to be landed under EU rules. The CFP is an economic, ecological and moral obscenity.

The Common Fisheries Policy has virtually destroyed Britain's fishing industry and resulted in thousands of jobs being destroyed. The estimated cost to Britain is at least **£1 billion** per annum.

2.3 EU Over-Regulation

It is now estimated that at least **70%** of Britain's new laws now originate in the European Union. The European Union has an insatiable appetite for passing new Directives and Regulations.

Compliance with these laws has a direct effect and cost for government, private organisations and business; these costs are passed on to taxpayers and consumers.

The Dutch Deputy Prime Minister and Finance Minister, Mr Gerrit Zalm, calculated that the cost to Holland of EU over-regulation is about 2% of Gross Domestic Product. Only partial studies have been carried out on the cost of over-regulation to Britain. Britain has a GDP of about £1,000 billion per annum, and on the basis that the cost to Britain would be similar to that of Holland, i.e. 2% of GDP, then the cost of over-regulation is **£20 billion** per annum.

3 Summary of the Annual Direct and Indirect Costs

	2006	2007
Gross Contributions	£12.8bn	£14.2bn
Payments to EU institutions	£1.8bn	£2.2bn ²
Common Agricultural Policy	£15bn	£15bn ³
Common Fisheries Policy	£1bn	£1bn ⁴
EU Over-Regulation	£20bn	£20bn ⁵
Total	£50.6bn	£52.4bn

Let's put those figures in perspective.

	Per Annum	Per Month	Per Week	Per Day	Per Hour	Per Minute
2006	£50.6bn	£4.2bn	£973m	£139m	£5.7m	£96,271
2007	£52.4bn	£4.3bn	£1bn	£143.5m	£6m	£99,696

There are 646 Parliamentary constituencies in the UK. By 2007 the gross cost per constituency will be just over **£81 million** per annum; or put another way, given the estimated population of 60 million people in the UK that is over **£873** per annum for every man, woman and child.

4 Other money wasted

Tens of millions of pounds were spent by the Bank of England in supporting the launch of the euro; and other organisations, including the NHS, spent millions preparing for possible British entry. Although not a member of the European Single Currency the UK was required to put up 15% of the capital of the European Central Bank. This is not a cost as such but money that could have been invested elsewhere. **Over £18 billion** has been spent on the **Euro-fighter**, a common European fighter plane that is obsolete before it comes into service. Although this was not directly an EU project it represents the move towards a common European defence and defence procurement policy. A cheaper and better airplane could be bought from the USA. Galileo, the EU's own planned satellite system (to rival the USA's GPS system) is estimated to cost Britain at least an initial **127.25 million euros (£91 million)**.

5 Britain's Balance of Payments with the EU and the World 1973 - 2004

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 **£285 billion** up to 2004⁶ whereas we have a trade surplus of almost **£29.5 billion** with non EU countries. EU membership has certainly not increased our profitable trade with EU countries. The EU is a customs union not a free trade area. As a customs union it tends towards protectionism. Membership of the EU has therefore distorted Britain's trade patterns adversely, preventing us buying more beneficially on the world market.

Figures shown in millions.

Calendar Year	Balance with EU Countries in Trade & Services	Balance with non EU Countries in Trade & Services	Balance with the world in Trade & 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	-£31,806	-£ 6,619	-£38,425
2005	Not available		
Total in billions	-£285.180	£29.457	-£255.723

6 Can Britain afford the European Union?

On the basis of the best estimates that we have (as summarised above in item 3) the total combined direct and indirect cost to Britain of belonging to the EU by 2007 will be **£52.4 billion per annum**, or close to **£100,000 per minute**. And this figure will go on rising.

At the same time we have accumulated a trade deficit with the member countries of the European Union of **£285 billion**. Britain buys far more from EU countries than they buy from us. If Britain left the EU the remaining member countries would not stop trading with us; normal commercial trade would continue. Even if Britain were forced to pay the Common External Tariff on exports to EU countries the benefits of leaving and trading on the world market would far outweigh the costs.

Leaving the EU would put Britain in a very strong position to establish a trade agreement with the EU. Twenty three countries of the world, including Mexico and Switzerland, already have some kind of trade agreement with the EU, and another 69 countries are negotiating agreements, almost half the countries of the world. If they do not need to be members of the EU in order to trade with Europe why does Britain?

7 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 independent and impartial cost/benefit analysis so that the supposed benefits can be proved and the findings openly debated. If any of the figures contained in this document are incorrect let the Government challenge them and provide the correct figures.

The European Union is heading towards its real purpose, which is to create a pan-European political state: a **United States of Europe**. The real purpose has never been about trade and friendly co-operation. The British people should be presented with the full facts and figures so that they can decide if this is what they want, and if the price is worth paying.

Sources

Futurus

Suite 312, Olympic Way, Wembley, Middlesex, HA9 0NP. T: 020 8782 1135/6

Labour Euro-Safeguards Campaign

72 Albert St, London, NW1 7NR. T: 020 7691 3800

A Cost Too Far?

By Ian Milne. Published by Civitas, 72 Great Peter St, London, SW1P 2EZ.

T: 020 7799 6677 www.civitas.org.uk

Office of National Statistics, Pink Book.

Notes

- 1 Labour Euro-Safeguards Campaign, Bulletin, March 2006
- 2 These payments have been assumed to increase proportionally to the increase in gross contributions.
- 3 The Common Agricultural Policy costs have been assumed to remain the same.
- 4 The Common Fisheries Policy costs have been assumed to remain the same.
- 5 The costs of over-regulation have been assumed to remain the same.
- 6 The last year for which figures are available.

Acknowledgments

Anthony Scholefield, Futurus

Adrian Muldrew, researcher for UK Independence Party,

Independence & Democracy Group,

European Parliament

THE BRUGES GROUP

The Bruges Group spearheads the intellectual battle against the notion of “ever-closer Union” in Europe. Through its ground-breaking publications and wide-ranging discussions it will continue its fight against further integration and, above all, against British involvement in a single European state.

WHO WE ARE

Honorary President: The Rt. Hon the Baroness Thatcher of Kesteven, LG OM FRS

Vice-President: The Rt. Hon the Lord Lamont of Lerwick

Co-Chairmen: Dr Brian Hindley & Barry Legg

Director: Robert Oulds MA

Head of Research: Dr Helen Szamuely

Washington D.C.

Representative: John O’Sullivan

Former Chairmen:

Professor Kenneth Minogue

Lord Harris of High Cross

Dr Martin Holmes

Academic Advisory Council:

Professor Tim Congdon

Professor Kenneth Minogue

Professor Christie Davies

Professor Norman Stone

Dr Richard Howarth

Professor Patrick Minford

Ruth Lea

Andrew Roberts

Martin Howe, QC

Lord Harris of High Cross

John O’Sullivan, CBE

Sponsors and Patrons:

E P Gardner

Dryden Gilling-Smith

Lord Kalms

David Caldwell

Andrew Cook

Lord Howard

Brian Kingham

Lord Pearson of Rannoch

Eddie Addison

Ian Butler

Thomas Griffin

Lord Young of Graffham

Michael Fisher

Oliver Marriott

Hon. Sir Rocco Forte

Graham Hale

W J Edwards

Michael Freeman

Richard E.L. Smith

BRUGES GROUP MEETINGS

The Bruges Group holds regular high-profile public meetings, seminars, debates and conferences. These enable influential speakers to contribute to the European debate.

For further information about the Bruges Group, to attend our meetings, or join and receive our publications, please visit www.brugesgroup.com.

Alternatively, you can contact us on the details below:

Contact us

For more information about the Bruges Group please contact:

Robert Oulds, Director

The Bruges Group, 232 Linen Hall, 162-168 Regent Street, London W1B 5TB

Tel: +44 (0)20 7287 4414

Email: info@brugesgroup.com