

The cost of the EU 2007 – 2013

EU Income

UK Allocation

For 2007 - 13 the EU agreed on an annual budget income of €117.5 billion. The share of this allocated to the UK is calculated as follows:

Customs duties	€2.5 bn	(Traditional Own Resources)
0.7% of VAT	€3.5 bn	
0.6% of GNI	€7.5 bn	(GNI: Gross National Income)

UK Rebate

From this total allocation of €13.5 bn the UK rebate has to be subtracted. The rebate was originally 2/3 of the difference between the allocation and the aid (€6.5 bn in 2007) received by the UK (to be discussed in a later section.), but in the negotiations leading to this 2007-2013 budget the UK agreed to forgo 20% of this rebate. The reason which lay behind this was that the UK was no longer the poor man of Europe but had become one of the three richest.

Hence Rebate = 80% of 2/3 (13.5 – 6.5) €bn = €3.7 bn

Rebated allocation = €9.8 bn

UK Net Payment

The UK received in 2007 €6.5 bn in aid from the EU, so that the UK net payment was €3.3 bn. ie the rebated allocation less the aid received.

Cost per capita

Assuming a population of 60 million, this sum of €3.3 bn equates to about €55 or £50 per head per year. Compare this with the typical Council Tax of £1000 per household.

Overseas Aid

In 2007 the UK devoted £7.5 bn to overseas aid, more than twice as much as our net EU contribution, and yet we have much less knowledge of how this is spent.

Net Contributors

Other countries contributing more than €1 bn are:

Germany	€6 bn
Netherlands	€2.5 bn
France	€2 bn
Italy	€1.3 bn

A more realistic evaluation of the burden of payments must take account of the size of population of each country. This gives a very different picture; per head of population the contributions are:

Luxembourg	€200
Holland	€150
Sweden	€100
Denmark	€90
Germany	€80
Belgium	€70
UK	€60
Austria	€50
France	€30
Italy	€20

It is evident from the above table that several small countries which pay in total less than €1 bn nonetheless make a higher contribution per capita than does the UK.

EU Expenditure €114 bn

The money paid to the EU is redistributed to the members of the EU in several ways, with the intention of 'leveling the playing field', ie reducing the disparity between the rich and the poor countries.

Agricultural Aid 47%

This support for the agricultural sector is the largest expenditure, 47%, of the total, and the least justifiable in terms of its outcome. The UK receives a substantial amount, €4.1 bn, under this Single Farm Payment scheme., but is not the largest recipient. The four larger than UK are:

France	€10.5 bn
Germany	€7 bn
Spain	€6.8 bn
Italy	€6 bn

The Single Farm Payment pays about £150 per hectare, so that a small farm of 100 hectare would receive £15,000 per year. This subsidised income may allow supermarkets to cut the amount they pay for produce to the bare minimum.

Regional Aid 32%

This is the next largest expenditure, being 32% of the total budget, and the UK receives €2.4 bn per year under this heading. Aid is usually accompanied by some matching funds from the national Governments, and has to avoid breaching EU competition rules. It is only given on request, and each case is closely vetted.

It has various forms:

Objective 1 is concerned with regions of low income where GDP per capita is less than 75% of the EU average.

Objective 2 is concerned with regions with unemployment greater than the EU average.

Objective 3 is concerned with regions where industry requires modernisation.

A 'region' is not necessarily a whole UK Region, it can be smaller, at least down to county level, eg Cornwall, but must be electorally defined.

Up to 2006 most of the UK aid was received under Objective 1, with places in Cornwall, Wales and the NW qualifying under this low income criterion.

But the accession of 12 new states since 2004 has unfortunately lowered the EU average GDP, thus re-defining the poverty level, so that states which may have previously been below now find that they are above the poverty level. However, transitional arrangements are in place so that such states do not suddenly lose all aid.

The seven countries receiving larger amounts than the UK are:

Spain	€5.5 bn
Greece	€4.6 bn
Italy	€4.5 bn
Germany	€4.4 bn
Poland	€4.3 bn
Portugal	€2.5 bn
France	€2.5 bn

Administration 6%

This amounts to €6.8 bn and covers salaries, pensions, buildings and equipment. Much of the EU work takes place in Belgium and Luxembourg. The total cost of running the EU is somewhat greater than the budget of the Mayor of London, €4.2 bn in 2009, but less than that of the Mayor of Paris, €7 bn in 2008. The Commission spends about €3.5 bn and employs 33,600 people. (The UK Civil Service employs over 400,000 people.)

Foreign Aid 7%

This money goes to fund cross-border projects with neighboring countries outside the EU. Money is also given to candidate countries such as Turkey and Croatia. Other aid goes to support economic development in Latin America, Asia, Middle East and S Africa.

All numerical values are taken from news.bbc.co.uk

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