

Global Britain Briefing Note

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The Economic Cost of EU Membership

Estimates of the ongoing Net Cost to the UK of its membership of the EU range upwards from four per cent of GDP per year.

In just the thirteen years 1997 – 2009 inclusive, the cumulated UK current account deficit with EU-26 (trade deficit plus the net budgetary contribution to “Brussels) was £ 218 billion

In the first decade of the 21st Century at least eight authoritative Cost-Benefit Analyses (“CBAs” – listed overleaf) of EU membership have been undertaken in the UK, France, Switzerland & the USA. None has concluded that the benefits – if any exist at all – of EU membership outweigh the costs. Most conclude that the net costs of EU membership are significant, **ranging from a “rock-bottom” 4% of GDP to over 10% of GDP¹.**

The results of these eight 21st Century CBAs should surprise no-one. Well before 1973, when the UK joined the then “Common Market”, economists concluded that the impact of UK accession would be unequivocally negative. Even the government White Papers of 1970 & 1971 predicted negative economic consequences.

In October 2005 Gordon Brown, the former Chancellor, published a Treasury paper under his own signature, titled *Global Europe, full employment Europe*. His estimates of the costs of EU membership were as follows:-

<i>EU Protectionism</i>	<i>7% of GDP</i>
<i>Competition gap with US</i>	<i>12% of GDP</i>
<i>EU Over-regulation</i>	<i>6% of GDP</i>
<i>Transatlantic barriers to trade</i>	<i>3% of GDP</i>

Those add up to 28% of GDP. Mr Brown did not say whether there might be some degree of overlap in those four categories. Even if the total of 28% were to be divided by, say, four, to eliminate the effects – if any – of overlap, that still puts the annual cost of EU membership at 7% of GDP, or £ 98 billion at 2009 prices.

Conclusion

These Cost-Benefit Analyses suggest not only that EU membership imposes annual **net** costs of upwards of 4 per cent of GDP on the economies of EU member countries, but that **percentages in double figures are perfectly plausible.**

Recent Cost-Benefit Analyses of EU Membership

Complete, Partial & Inadvertent CBAs (Cost-Benefit Analyses) published since 2000

- In April 2004, the New York Fed published *Benefits & Spillovers of Greater Competition in Europe: A Macroeconomic Assessment, Staff Report No 182*, www.newyorkfed.org/research/staffreports It concluded that “...increasing competition in the euro area to US levels **could boost output by 12.4%** in the euro area as both investment & hours worked rise markedly...”
- *A Cost Too Far ?* by Ian Milne, Civitas, July 2004, put the “rock-bottom” net cost of EU membership at **4% of GDP** rising to 26% due to measures already then in the EU pipeline. This book discusses (pp 36 – 39) CBAs done by the NIESR, the IoD, the (US) ITC & the IEA between 2000 & 2003. www.globalbritain.org > *Publications by Global Britain authors* > *A Cost Too Far ?* > *Chapter 9: Recent Cost-Benefit Analyses*
- In 2005, Minford/Mahambare/Novell published *Should Britain Leave the EU ? An economic analysis of a troubled relationship*. Their conclusion: EU membership costs the UK **24.5% of GDP**. IEA/Edward Elgar, ISBN 1-84542-3798 www.iea.org.uk
- In 2005, the Rt Hon Gordon Brown MP, then Chancellor, published *Global Europe: full-employment Europe* – which, no doubt inadvertently, is a kind of CBA. www.hm-treasury.gov.uk (See previous page).
- In March 2006 the French *Conseil d'Analyse Economique* (a kind of super-charged Policy Unit attached to the French Prime Minister's Office) published *Politique Economique et Croissance en Europe*. www.globalbritain.org > Briefing Notes > *No 43: France Assesses Costs & Benefits of EU Membership*. Conclusion: **no net economic benefit to France** of EU membership, or of adopting the euro.
- In June 2006 the Swiss Federal Government published *Europe 2006 Report*, an economic comparison of Switzerland's joining a) the EU or b) the EEA or c) staying with its current arrangement of sectoral bi-lateral FTAs with the EU. www.globalbritain.org > Briefing Notes > *No 42: The Swiss Government's Cost-Benefit Analysis of EU Membership*. Conclusion: joining the EU would be **nine times as expensive** for Switzerland as staying with its current arrangements of sectoral free trade agreements with the EU.
- In late 2006 the then EU Commissioner for Enterprise & Industry, Gunter Verheugen, announced that EU regulation *alone* cost € 600 billion a year, equivalent to **5.5 per cent of EU GDP**.
- In March 2009 Craig & Elliott, in *The Great European Rip-Off*, put the annual cost of EU membership for the UK at £ 130 billion, equivalent to **9.3 % of UK GDP** in that year.

Make-up of Total UK Deficit with EU-26, 1997 – 2009 inclusive

(UK Net Contribution to EU Institutions plus UK Deficit on Trade with EU-26)

- In the thirteen years 1997 – 2009 inclusive, the UK paid over £ 173.6 billion to EU institutions & received back £ 103.4 billion, resulting in an **aggregate Net Contribution of £70.1 billion**.
- **In addition**, on its trade (imports & exports of goods, services & income) with the other 26 EU member states, the UK, over the 1997 – 2009 period, recorded an **aggregated deficit of £147.5 billion**.
- The **combined UK deficit** with EU Institutions & EU-26 member states over the period 1997 – 2009 was, in aggregate, **£ 217.7 billion, an average of £ 16.7 billion per year**.
- The trade deficit reflects the hundreds of thousands (if not millions) of real British jobs effectively exported to the rest of the EU over this period; the contribution to Brussels is a direct burden on UK taxpayers and the British economy.

Make-up of Total UK Deficit with EU-26, 1997-2009 inclusive: £ bn					
	a	b	c = a - b	d	e = c + d
Year	<i>UK Gross Contr. to EU[#]</i>	<i>UK Receipts from EU[#]</i>	<i>UK Net EU[#] Contribution</i>	<i>UK Deficit on EU-26 Trade</i>	<i>UK Deficit with EU-26*</i>
1997	9.0	5.8	3.2	2.8	6.0
1998	11.2	5.6	5.6	(3.5)	2.1
1999	11.8	6.8	4.9	3.9	8.9
2000	12.2	5.9	6.3	(0.7)	5.6
2001	11.3	8.3	3.0	(4.1)	(1.1)
2002	11.8	7.1	4.7	4.4	9.1
2003	13.0	8.0	5.0	17.1	22.1
2004	13.2	8.5	4.7	25.8	30.5
2005	15.1	9.1	6.0	34.6	40.6
2006	15.4	9.3	6.1	29.4	35.5
2007	15.8	8.5	7.3	31.2	38.5
2008	16.4	9.8	6.6	(1.1)	5.5
2009	17.4	10.7	6.7	7.7	14.4
Σ 1997- 2009	173.6	103.4	70.1	147.5	217.7
<i># abbreviation of "EU Institutions"</i>					
<i>*total UK deficit with EU-26: UK Net Contribution to EU Institutions plus Trade Deficit</i>					
<i>Source: Table 9.2: UK Balance of Payments: Pink Book 2010; for 1997& 1998, Pink Book 2006: www.statistics.gov.uk</i>					

Notes & References

1 UK GDP in 2009 was £ 1393 billion. Four per cent of £ 1393 bn is £ 56 billion; ten per cent of £ 1393 bn is £ 139 billion.

Global Britain

Lord Stoddart of Swindon
(Independent Labour)

Lord Pearson of Rannoch
(United Kingdom Independence Party)

Lord Willoughby de Broke
(United Kingdom Independence Party)

Lord Harris of High Cross (1924- 2006)
(Cross-Bencher)

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