

'The European Commission deems it impossible to estimate the cost of the UK's entry into the EEC' from Le Monde (17 October 1970)

Caption: On 17 October 1970, the French daily newspaper Le Monde leads with the difficulty facing the European Economic Community (EEC) in making an accurate estimate of the financial cost of the United Kingdom's accession to the European Common Market.

Source: Le Monde. dir. de publ. FAUVET, Jacques. 17.10.1970, n° 8 012; 27e année. Paris: Le Monde. "La Commission européenne estime impossible de prévoir le coût financier de l'entrée du Royaume-Uni dans la C.E.E.", p. 36.

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UK Government's view disputed

The European Commission sees the cost of the United Kingdom's entry into the EEC as impossible to predict

European Economic Community (Brussels)

So many assumptions have to be made in such an exercise, each with its attendant uncertainties, that it is impossible at this point to say with any accuracy what contribution the UK, or any other Member State, would be making to the budget of an enlarged EEC in 1978.

The figures predicted by the British authorities early this summer are, then, completely unreliable, quite apart from the fact that the method of calculation used is highly questionable at times. In other words, the forecasts serve no useful purpose, and it would be pointless to base any practical conclusions on them in the current negotiations. In these circumstances, the discussions should be placed on a different footing. The British and the Six should examine the problems raised by the United Kingdom's adaptation to EEC legislation and reach agreement on the necessary transition measures, but they should give up trying to assess the financial effects of such an operation.

From our correspondent

These, according to the information in our possession, are the conclusions of the report that the European Commission is about to send the Member States, report which it drafted after carefully reading the UK document on the financial impact of joining the Common Market. Mr Jean-François Deniau, who leads the Commission team monitoring the negotiations, will in all likelihood submit the report to the Foreign Ministers of the Six in Luxembourg on 26 October.

Sidestepping the manoeuvre

What have the British suggested? Their calculations attempted to demonstrate that if the Financial Regulation adopted by the Six in December 1969 were strictly applied without any corrections, the UK would have to contribute 31 % of the EEC budget, a burden out of proportion to its relative wealth in an enlarged EEC, which it assesses as 17 %. Again according to the experts in London, if the current provisions on the financial solidarity of Member States were applied to the letter, in 1978 the UK Treasury would have to pay out FF 6 000 million, while the same provisions would bring in FF 4 000 million to France and FF 2 000 million to the Netherlands.

Naturally, in the minds of the British, the conclusion to be drawn from their forecasts was self-evident. The Financial Regulation must be revised. Could one not, for example, set a limit for the United Kingdom's financial contribution?

It is a manoeuvre that needs to be sidestepped, especially as it might further weaken the already fragile financial structure that the Six have built up over the years. Calling into question the principle of collective financial responsibility has been a constant temptation to the Member States, especially those, like Germany, that put more into the pot than they take out. In these circumstances, it is understandably dangerous for the negotiations with the British to rekindle past disputes at a time when the French and others might reasonably believe that this financial matter was finally settled by last winter's agreement on what was called the 'completion' of the EEC.

But that danger exists only if the forecasts produced by the British experts are seen as having even the slightest credibility. According to the Commission, they have no such credibility. What Mr Deniau and his staff are trying to convey is that, at all events, such a forecasting exercise, whomever it is done by, cannot be regarded as conclusive.

Too many unknowns

How can the 1978 contribution of each Member State be calculated today when it is impossible to predict the evolution of all the factors in the calculation that must be taken into account to ensure that the figures are not absolutely unrealistic? These are the basic hypotheses on which reasonably reliable calculations must be based, but who knows today what effect the *Community preference* will have on the Six Member States and the applicant countries, or what the trends in agricultural prices will be worldwide and in the Community, or how farm production will develop in the United Kingdom and the other Member States, or what the rate of growth in the gross national product will be in each of the ten nations in the enlarged EEC? Lastly, and perhaps most important, no one knows the size or the composition of the EEC budget in eight years' time. Today, agriculture accounts for 95 % of all expenditure but, for all we know, the EEC governments may decide to open substantial common credits at some point in the future, for example for regional policy, scientific cooperation or industrial development. Such options are not in the realms of fantasy; on the contrary, they cannot be ruled out. With this in mind, the Commission is referring to quantified examples to show how widely the contributions of the countries concerned might vary, depending on the hypothesis selected. Obviously, a preference for any one hypothesis would be arbitrary.

A subjective method

The Commission has serious misgivings, on the grounds of unrealism, about the intellectual exercise of saying exactly who will pay what once the four applicant countries have become full members of the EEC. The Commission claims — but, we would say, almost as an aside — that the methods used by the British are subjective. The experts in Brussels have pointed out that, in general, the British have underestimated the items that would increase the contribution of the current Member States and exaggerated those that might increase the British contribution.

It has also been noted that Mr Geoffrey Rippon's department has thought fit to claim that the UK's entry into the Community would have only a minor influence. According to its estimates, the proportion of Britain's industrial imports from the Community would increase only from 30 % to 34 %, despite the elimination of customs duties. Diminishing the role of the Community preference has the obvious advantage of helping to maintain a sizeable volume of UK imports from non-member countries and, as a result, of boosting the recorded customs revenue that the UK Treasury would have to hand over to the EEC. In the same way, the British report assumes a rise of only 3 % in the UK's gross national product, whereas the accepted figure for the growth of the GNP in each of the six Member States is 5.5 % to 6 %. Curiously, this has prompted the British experts to conclude that in 1978 the UK's GNP will account for only 17 % of the total EEC gross national product, compared to 28.5 % for Germany, 25 % for France and 16 % for Italy. But the claim that the annual growth rate in the UK's GNP will not be more than 3 % once it has signed the accession treaty appears to suggest that it would not be worthwhile for the UK to join the EEC, at least from the economic standpoint.

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