


The British contribution

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The British contribution

Ever since negotiations were held for its accession to the European Community, the United Kingdom had been asking for a reduction of its financial contribution. At that time, the Community budget was based on customs duties on industrial products and levies on agricultural products. However, Britain had continued to import foodstuffs and raw materials from the Commonwealth. That resulted in its making a substantial contribution to the Community budget, while the Community's expenditure in the United Kingdom remained low, particularly as far as agriculture was concerned. The Accession Treaty (22 January 1972) provided for a transitional period of five years (as for Ireland and Denmark), with the British contribution expected to rise from 8.6 % of Community resources in 1973 to 18.9 % in 1977, with special conditions specified for 1978 and 1979.

Immediately after taking office in 1974, Harold Wilson's Labour Government requested a renegotiation of the Accession Treaty signed by the Conservative Edward Heath. To the principle of financial solidarity in the Community, it opposed the principle of a *juste retour* of each country's contribution, in the shape of expenditure incurred on its territory. That accountant's approach was extremely questionable, because it did not take account of the other economic and political advantages of belonging to the Community. Nevertheless, it was time to redress the imbalance which was the cause of Britain's complaints. Accordingly, the European Regional Development Fund (ERDF) was established on 1 January 1975, at the request of the British and the Irish, and a 'corrective mechanism' applying to all countries in economic difficulties was adopted on 17 May 1976. But Britain did not gain from it, having benefited from the North Sea oil. In 1979–1980, the United Kingdom contributed 20 % of Community revenue but enjoyed only 12 % of its expenditure.

Taking office in 1979, Margaret Thatcher, the Conservative Prime Minister, immediately demanded a reduction of the British contribution: 'I want my money back!' Faced with such intransigence, the Council of Ministers, meeting on 30 May 1980, made some significant concessions and reached an agreement. For 1980 and 1981, Britain's net contribution (the difference between what it paid and what it received) was reduced by two thirds, and the principle of a reduction was retained for 1982. The United Kingdom was still not satisfied, however, as it was to receive less than it had demanded.

The Fontainebleau European Council (25 and 26 June 1984) enabled the deadlock to be broken. It accepted the principle of the requested correction and granted Great Britain an annual 'compensation', which amounted to two thirds of the difference between its VAT payments (the third resource, in force since 1 January 1979) and its revenue from the Community budget, the sum of this rebate being financed by the other Member States. This mechanism was implemented by the own resources decision of 7 May 1985.