

How much will it cost?

What would an EFTA-based
Brexit cost?



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Briefing note: How much will it cost?

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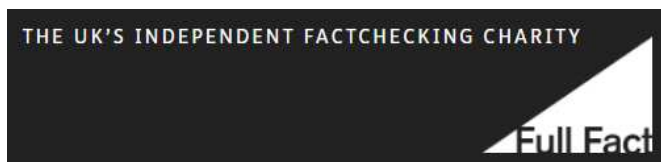
Introduction:

Critics argue that if we leave the EU and join EFTA we will still “have to pay”. That we might, but substantially less than as an EU member state.

All extant sources that we have seen suggest that an EFTA-based Brexit (whether EFTA/EEA ‘Iceland’ style or EFTA-bilateral ‘Swiss’ style) would be cheaper for the UK than its current EU/EEA membership. Let’s take a look together.

Fullfact:

Independent factchecking charity Full Fact have taken a look at this issue.



Their website states:

If the UK joined the EEA after it leaves the EU:

- There would be some financial savings.
- There would be some scope for negotiation on exactly how much the UK would have to pay.

The House of Commons Library has [estimated](#) that, assuming that Norway didn't get a lot back, imitating its relationship with the EU would make the UK's contribution to the EU per head about 25% smaller.

“How much does Norway, which sits outside the European Union, pay for its relationship with the bloc as a member of the European Economic Area? And is it a guide to what the UK might have to stump up if we wanted the same deal?

At the moment:

Norway makes £740 million (at current exchange rates) a year in payments linked to its relationship with the EU. The UK pays £14,000 million a year to be a full member.

This translates to £140 per Norwegian, compared to £220 per Brit.

If the UK joined the EEA after it leaves the EU there would be some financial savings.” – FullFact Website¹

House of Commons Library:

The House of Commons library has taken a few looks at this issue.

According to a House of Commons Library report:

“If the UK left the EU and instead contributed to the EU budget on the same basis as Norway, its contributions would fall by around 17%.

EEA countries and Switzerland contribute to the costs of EU programmes in which they participate, and to programmes to reduce economic and social disparities within the Union.

Norway, an EEA country, contributed around £106 per capita in 2011, while Switzerland contributes around £53 per capita. These figures are respectively 17% and 60% less than the UK’s per capita contribution of £128 in 2011.”²

Below: some excerpts from a 2013 HoC report:



Norway, which by virtue of its relative size provides the vast majority of EEA contributions, provided £524m in 2011, or £106 per capita. This compares to the UK's net budget contribution that year of £8.1bn, or £128 per capita. If the UK left the EU and instead contributed to the EU budget on the same basis as Norway, its contributions would fall by around 17%. Further details are shown in the table below.

Norway and the UK - contributions to the EU and EEA/EFTA in 2011

Norway^a	£m	£ per capita
Norway Grants	139	28
EEA Grants	162	33
EEA/EFTA commitment to EU operational costs	214	43
EFTA budget	10	2
Total	524	106

UK	£m	£ per capita
Gross EU budget contribution	15,356	243
Net EU budget contribution	8,102	128

In evidence to the FAC, Professor René Schwok and Cenni Najy identified some of the advantages of joining EFTA:

- a far lower UK financial contribution, which would exclude the CAP;
- the UK Government would be free to set its VAT level;
- capacity to ratify free-trade agreements faster and with more partners than the EU and greater freedom of manoeuvre to sign free trade agreements worldwide;

Another publication by the House of Commons Library³ presented the figures below:

Norway, which by virtue of its relative size provides the vast majority of EEA contributions, provided an estimated €778 million in 2015, or €151 per person. Norway received around €182 million of spending from the EU, leaving a net contribution of €597 million, which is equivalent to €116 per person. The UK's net contribution was around €214 per person in 2015.

Switzerland

Like the EEA EFTA countries, Switzerland contributes to both enlargement costs 'to reduce economic and social disparities', and the EU programmes in which it participates under its array of bilateral agreements. Its enlargement contributions are provided under multiyear frameworks. Switzerland provided an estimated €322 million in 2015, or €39 per person. Switzerland received around €237 million of spending from the EU, leaving a net contribution of €85 million, which is equivalent to €10 per person in 2015.



HOUSE OF COMMONS
LIBRARY

The figures we have seen so far broadly seem to agree with the analysis on this topic by David Charter (former European Correspondent of The Times). On the next page we will look at what he has said about this issue.

In his 2012 book 'Au Revoir Europe' (pg 205) Mr Charter stated:

“If it can be inferred from this that the gross cost to the UK of a similar arrangement to Switzerland’s would be around one-eighth of Britain’s current £15 billion gross contribution, the annual cost would be £1.9 billion”

In his 2014 book 'Europe: in or out?' (pg 106) David Charter revisits this issue, stating that:

“Various attempts have been made to estimate the amount that Britain would be obliged to pay towards projects in the EU’s poorer states in return for continued access to the Single Market or Swiss-style bilateral trading conditions. In 2006, the Swiss Government estimated that EEA membership would cost 32 per cent more, while full EU membership could cost six times as much, after receipts from Brussels, based on a gross contribution increase of 786 per cent.

If it can be inferred from this that the UK would pay one-eighth of its overall fee to return to the EFTA relationship used by Switzerland, then the 2013 gross charge of £17.2 billion would be reduced to £2.15 billion, while the price of staying in the Single Market through the EEA would be about £2.8 billion a year.”

SUMMARY:

All credible sources indicate that yes, any form of EFTA-based Brexit would mean smaller annual contributions to the EU. But we would still need to make payments, albeit indirectly.

These payments take two forms – the first set of payments are for participation in mutually beneficial reciprocal European programmes like healthcare schemes and student exchanges.

The second set of payments are development funds to poor European states and essentially a form of foreign aid (so presumably could come from the DFID budget).

We would urge our Parliamentarian followers to write to the Treasury to ask them to produce a new, detailed analysis. We believe this would only confirm the benefits of an EFTA based Brexit.

EFTA 4 UK is in no way affiliated with EFTA itself, we are a grassroots organisation made up of concerned British citizens.

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<http://efta4uk.eu/>

efta4uk@mail.com



References:

¹ <https://fullfact.org/europe/norway-eu-payments/>

² <https://researchbriefings.parliament.uk/ResearchBriefing/Summary/RP13-42>

³ <https://researchbriefings.parliament.uk/ResearchBriefing/Summary/CDP-2018-0031>