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Library Note

The European Union Today

This Library Note provides a broad outline of the history and development of the European Union. It explains the key treaties that led to the formation of the EU, describes the enlargement of the Union, gives a brief overview of the European institutions and provides a short description of the EU budget. The Note concludes by presenting a selection of key statistics comparing the EU to the US, Japan, China and Russia and a selection of key indicators for each of the current EU Member States and candidate states.

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1 History

1.1 1940s and 1950s

The present European Union (EU) emerged in the aftermath of the Second World War. Jean Monnet, economic advisor to the French Government, worked closely with Robert Schuman, the French Foreign Minister, on a proposal for joint control of France and Germany's coal and steel resources to avoid a further outbreak of war. This became known as the 'Schuman Plan', published on 9th May 1950, the date now regarded as the birth of what would become the European Union. Six countries, Belgium, France, Italy, Luxembourg and the Netherlands, signed the Treaty of Paris on 18th April 1951 establishing the European Coal and Steel Community (ECSC), which came into force on 23rd July 1952.

The six signatories to the ECSC went on to further develop economic cooperation, including energy and transport supply, signing the Treaties of Rome on 25th March 1957, which came into effect on 1st January 1958. The Treaties established the European Economic Community (EEC) and the European Atomic Energy Community (Euratom). The EEC provided for, amongst other things, the removal of obstacles to the free movement of people, capital and services; the elimination of customs and quantitative restrictions; a common agricultural policy; a common transport policy; and the creation of the European Investment Bank. The formation of the EEC was based upon what became known as a 'common market', although the four freedoms of the EEC (the free movement of goods, services, people and money) was not fully achieved until the end of 1992. Nonetheless, the two Treaties of Rome sowed the seeds of the future EU.

1.2 1970s to 1990s

The UK joined the European Free Trade Association (EFTA) in 1960 with Austria, Denmark, Norway, Portugal, Sweden and Switzerland. EFTA aimed to promote economic cooperation between countries. Shortly afterwards, the UK applied to join the EEC in 1961 and in 1967 but was vetoed by President de Gaulle on both occasions. When de Gaulle was succeeded as French President by Georges Pompidou, and following a change of position in both France and the UK, a further UK application to the EEC eventually succeeded. The UK's entry to the EEC was enacted by a Conservative government under Edward Heath.

The six original EEC members were joined on 1st January 1973 by the UK, Ireland and Denmark. A new government in the UK under Harold Wilson led to a referendum on continued membership of the EEC. The government recommended continued membership and the public voted to stay in by a ratio of 2:1.

Further expansion occurred during the 1980s with the accession of Greece in 1981 and of Portugal and Spain in 1986, bringing about a rebalancing of the European Communities from the north to the south.

The next key development involved a major revision of the Founding Treaties of Paris and Rome. The Single European Act (SEA) came into effect on 1st July 1987 and aimed to add momentum to European integration. The SEA had a specific objective to complete the internal market by 1992 and to facilitate this, and avoid the delays brought about by the requirement of unanimous agreement, the SEA extended qualified majority voting (QMV) in the Council of Ministers. Other key developments brought in by the SEA included: legal recognition of the European Council (meetings between the Heads of

Government); the introduction of a new 'cooperation procedure' giving the European Parliament the opportunity to amend legislation; and the creation of a new Court of the First Instance to increase the capacity of the European Court of Justice.

1.3 From Maastricht to Lisbon

The Treaty on European Union (TEU), signed in Maastricht on 7th February 1992 and entering into force on 1st November 1993, significantly amended existing Treaties and officially created the European Union. The TEU was based on three pillars:

- Pillar I: the European Community (replacing the EEC).
- Pillar II: Common Foreign and Security Policy (CFSP).
- Pillar III: cooperation in Justice and Home Affairs (JHA)—pillars II and III bringing about further intergovernmental cooperation.

A major milestone was achieved by the TEU with the setting out of a clear path to a single currency and full economic and monetary union (EMU), from which the UK opted out. The TEU introduced the co-decision procedure between the European Council and the European Parliament, thus increasing Parliament's powers and giving them the power to reject legislation in key policy areas. The TEU also included a Social Chapter on workers' rights and other social issues, from which the UK also initially opted out but later opted in to after 1997.

Further EU enlargement occurred with the accession of Austria, Finland and Sweden in 1995, bringing the number of Member States to 15. Two further treaties shortly followed. The Treaty of Amsterdam, which was signed in October 1997 and came into force on 1st May 1999, was essentially a revising treaty. It consisted largely of social and environmental policies and also reforms to the three pillars. The third pillar's name was changed from 'Justice and Home Affairs' to 'Police and Judicial Cooperation in Criminal Matters', and various policy areas (including asylum, immigration and visas) were transferred from this pillar into the first pillar and therefore became supranational rather than intergovernmental in nature. The UK negotiated a protocol to this treaty which automatically excluded them from all measures concerning asylum, immigration and visas unless they chose to 'opt-in' to each measure on a case-by-case basis. The Treaty of Amsterdam also strengthened the potential of the Common Foreign and Security Policy (CFSP) pillar. The Treaty of Nice was signed on 11th December 2000 and came into force in February 2003. It continued with the reforms of the EU institutions in preparation for further expansion.

Several major developments occurred during the first part of the new millennium. 1st January 2002 saw the landmark arrival of Euro notes and coins in 12 Member States. Less than two years later saw a significant EU expansion with the accession of Poland, Hungary, Czech Republic, Slovakia, Slovenia, Estonia, Latvia, Lithuania, Malta and Cyprus on 1st May 2004. Following this enlargement, a Treaty establishing a Constitution for Europe (TCE) was signed in Brussels on 18th June 2004, the main aims of which were: to codify fundamental rights throughout the EU; to replace existing treaties; and to streamline decision-making in the now significantly enlarged EU. The TCE also proposed the appointment of an EU President and Foreign Minister.

For the constitution to come into force, it had to be ratified by all 27 Member States. Some states chose to put the constitution to a public referendum rather than ratifying in parliament, and others (for example Ireland) were constitutionally obliged to put Treaty changes to a referendum. Citizens in France and the Netherlands rejected the constitution in public referendums, leading to a "period of reflection" which lasted until January 2007. The TCE was abandoned and a new treaty—the Lisbon Treaty—was

signed in December 2007. The Lisbon Treaty introduced: a strengthened role for the European Parliament; provided greater involvement of national parliaments through a new mechanism (subsidiarity) to ensure that the Union only acts where results can be better attained at EU level; a greater use of qualified majority voting in the Council; and a renamed Minister for Foreign Affairs to 'High Representative of the Union for Foreign Affairs and Security Policy'.

The UK ratified the Lisbon Treaty in July 2008. Ireland had initially rejected the Treaty in a referendum in June 2008. A second referendum in October 2009 reversed the result and the Lisbon Treaty came into force on 1st December 2009.

For further information on the Lisbon Treaty, see House of Commons Library Standard Note, *Implementing the Lisbon Treaty* (8th February 2010, SN/IA/5331).

2 Institutional Structure

2.1. The European Council

2.1.1 Role and Powers

On 1st December 2009, with the Treaty of Lisbon coming into force, the European Council became an institution of the EU. Twice a year each Member State's Head of State or Government attends a 'summit' meeting to decide the EU's general policy direction and its priorities, and to determine any issues unresolved at the Council of the European Union meetings. It also defines the principles and guidelines for the common foreign and security policy. These decisions are made by unanimity. However, although it takes decisions with complete independence—it does not require a Commission initiative or Parliament's involvement to take such decisions—it does not have a legislative function.

2.1.2 Organisation

The Treaty of Lisbon provided for the appointment of a full time President and High Representative of the Union for Foreign Affairs and Security Policy, both chosen by the European Council by a qualified majority. The President serves for a term of two and a half years, renewable once, and the High Representative for five years. The appointment of the High Representative also requires the agreement of the President of the Commission, as the holder is also Vice-President of the Commission.

The President chairs the European Council, makes the correct preparations for its meetings to ensure there is continuity in its work, facilitates consensus and compromise within the European Council, and reports to the European Parliament after each summit. The High Representative of the Union for Foreign Affairs and Security Policy proposes and carries out foreign policy on the European Council's behalf. Currently the post of President is filled by Herman Van Rompuy and the post of High Representative by Baroness Ashton of Upholland.

2.2 The Council of the European Union

2.2.1 Role and Powers

The Council of the European Union, sometimes known as the Council of Ministers, is the EU's main decision making body. The Council has six functions:

- To pass European laws—jointly with the European Parliament in many policy areas.
- To co-ordinate the broad economic policies of the Member States.
- To conclude international agreements between the EU and other countries or international organisations.
- To approve the EU's budget, jointly with the European Parliament.
- To develop the EU's Common Foreign and Security Policy (CFSP), based on guidelines set by the European Council.
- To co-ordinate co-operation between the national courts and police forces in criminal matters.

([Europa website: 'The Council of the European Union'](#))

It is at the meetings of the Council that these functions are carried out. These meetings are usually held to discuss issues in one of the following nine subject areas: General Affairs and External Relations; Economic and Financial Affairs (ECOFIN); Justice and Home Affairs; Employment, Social Policy, Health and Consumer Affairs; Competitiveness, Transport, Telecommunications and Energy; Agriculture and Fisheries; Environment; and Education, Youth and Culture. A minister from each of the Member States represents their national position in these discussions but exactly which minister attends depends on which of these subjects is on the Council's agenda.

Decisions in Council meetings are made by simple majority, qualified majority or unanimously. Simple majority (a vote each) only applies to a small number of decisions, for example to change internal Council rules. Decisions are most often made by QMV. A qualified majority is reached:

- if a majority of Member States (in some cases a two-thirds majority) approve

and

- if a minimum of 255 votes is cast in favour—which is 73.9% of the total.

In addition, a Member State may ask for confirmation that the votes in favour represent at least 62% of the total population of the Union. If this is found not to be the case, the decision will not be adopted.

([Europa website: 'The Council of the European Union'](#))

The table on pages 16–18 gives the current country QMV weights. The Treaty of Lisbon discards these weighted votes in favour of a double majority system (55% of the Members of the Council comprising at least fifteen of them and representing at least 65% of the population). This new system is due to come into force on 1st November 2014 although any member can ask to extend QMV until 31st March 2017.

The Council of the European Union is often confused with the Council of Europe, which has its own set of (similar sounding) institutions but pre-dates the creation of the EU. Set up in 1949 and based in Strasbourg, the Council of Europe is an intergovernmental body of 47 members that aims “to guarantee the dignity of the nations and citizens of Europe by enforcing respect for our fundamental values: democracy, human rights and the rule of law” (The Council of Europe, *Who we are, what we do*). In 1950, the members of the Council of Europe signed the European Convention on Human Rights, which is an international treaty. At present the EU has yet to accede to the Convention, which became possible under the Treaty of Lisbon, although all EU Member States are signatories to it ([Council of Europe Fact Sheet No.21, The European Union's accession to the European Convention on Human Rights, 11th December 2009](#)).

2.2.2 Organisation

The Permanent Representative Committee (COREPER) prepares the work of the Council, with the exception of agriculture (which is the role of the Special Committee on Agriculture) in advance of its meetings. COREPER is composed of the heads of each EU Member State's permanent team in Brussels.

At the meetings, the Presidency of the Council takes charge of the agenda, promotes legislative decisions and encourages compromise between members. The Presidency rotates every six months, with each Member State taking turns to carry out these

functions (see the table on pages 16–18 for when each Member State will assume this role).

The General Secretariat assists the presidency in preparing the Council's work and ensuring that this is carried out efficiently and effectively. In 2009, Pierre de Boissieu became the new Secretary General of the Council, replacing Javier Solana.

2.3 The European Commission

2.3.1 Role and Powers

The Commission is the executive arm of the EU. Its main roles are defined as follows:

- to propose legislation to Parliament and the Council;
- to manage and implement EU policies and the budget;
- to enforce European law (jointly with the Court of Justice);
- to represent the European Union on the international stage, for example by negotiating agreements between the EU and other countries.

[\(Europa website: 'The European Commission'\)](#)

The Commission is largely based in Brussels but also has representation in all Member States and delegations in many capital cities around the world.

2.3.2 Organisation

The Commission has two elements: the commissioners and the staff. The 27 commissioners—one from each Member State—are appointed every five years, within six months of the election of the European Parliament. The commissioners (including its president) act in the interests of the EU as a whole and so do not take instructions from their national governments. Each commissioner is given responsibility for a policy area. Under the Treaty of Lisbon the Council's nomination for President of the Commission must take into account the results of the European elections. The current president of the Commission is José Manuel Barroso.

The staff of the Commission are organised into departments, which are called either Directorates-General (DGs) or 'services' (for example Legal Services). Each department is headed by a Director-General, who is responsible to the commissioner with the relevant policy portfolio. Overall coordination of the departments is headed by the Secretary-General, who is accountable to the Commission President. Each DG devises and drafts proposals in their specific policy area. Once a proposal is drafted, following consultation and checks, 14 of the 27 commissioners must approve it before it can be adopted and sent to the Council of the European Union and the European Parliament for consideration.

2.4 The European Parliament

2.4.1 Role and Powers

The European Parliament (EP) was set up by the Treaty of Rome in 1958 but direct EP elections did not start until 1979. Elections are held across the EU every five years,

returning 736 MEPs (see the table on pages 16–19 for how many MEPs each Member State returns).

The Parliament has three main roles:

- Passing European laws—there are three main decision-making procedures which the EP uses to pass laws. The Ordinary Legislative Procedure (formerly known as co-decision) is the most commonly used legislative decision-making procedure. It gives the EP an equal say with the Council in whether any particular proposal is passed. Since the Treaty of Lisbon came into force the ordinary legislative procedure is now used in forty new areas, for example freedom, security and justice, foreign trade, environmental policy and the common agricultural policy (see page 20 for a flowchart of the co-decision procedure).

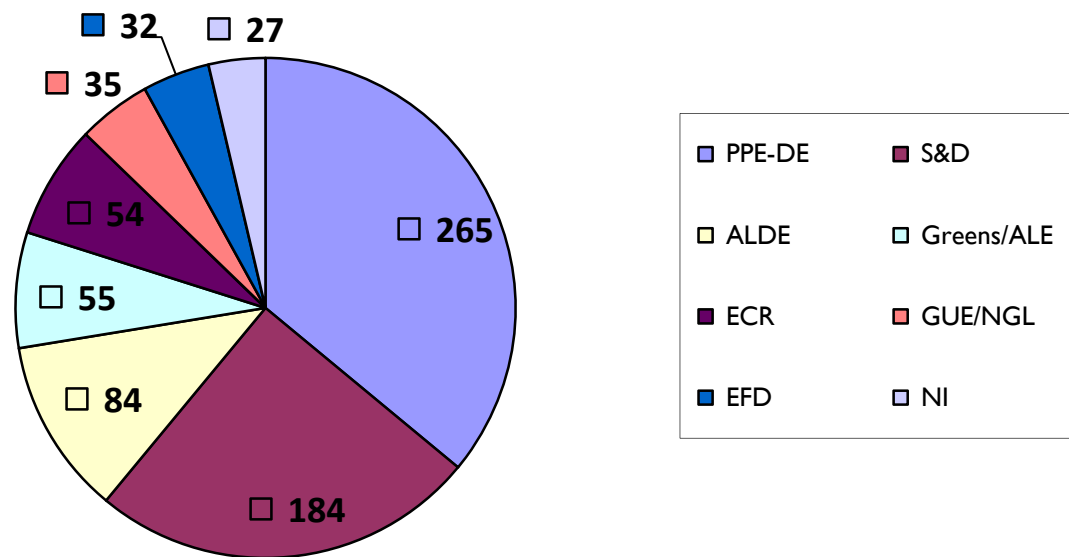
In areas such as taxation and competition the EP has to be consulted by the Council. In the consultation procedure the EP has the choice to approve the Commission's proposal, reject it or ask for amendments. Where the consent procedure is used the Council must ask for the EP's agreement on a proposal—for example on agreements made with other countries, including regarding enlargement—the EP must either accept or reject it. Consent requires an absolute majority of the votes cast, collectively known as 'Special Legislative Procedure'.

- Control of the executive—Parliament supervises the other EU institutions, and in particular the Commission. It has the power to approve or reject the nomination of commissioners, and it has the right to censure the Commission as a whole. This requires a two thirds majority of the EP. On the eight motions of censure since 1958, there has been no occasion when the motion has been adopted. However, the potential use of this motion, alongside pressure applied by the Parliament, ultimately led to the resignation of the entire Santer Commission in 1999. Similar pressure has also led to the withdrawal of individual Commissioner-nominees in 2004 and 2010. Scrutiny of the Council and Commission takes place through written and oral questions which both bodies are required to answer.
- Influence over the budget—Parliament shares authority over the EU budget with the Council. It has direct influence on EU spending as it has to either adopt or reject the budget in its entirety.

2.4.2 Organisation

The EP's main work takes place in plenary sessions. In preparation for the plenary however, work takes place in committees of MEPs, which examine particular areas of EU activity. In the plenary sessions the EP examines proposed legislation, votes on amendments and makes a decision on the whole text of a proposal. These sessions are usually held for one week a month in Strasbourg but also sometimes in Brussels (for two days). Committee sessions are usually only held in Brussels. In session, MEPs do not sit in national delegations but according to their political affinities. The chart below shows the current numbers in each group (a full list of the names of these groups is on page 21).

Political Groupings in the European Parliament (2009 to 2014)



(Source: [European Parliament website: 'MEPs by Member State and political group // 7th parliamentary term'](#))

2.5 The Courts

The Court of Justice ensures that EU legislation is interpreted and applied in the same way throughout all EU Member States. For example, the Court ensures that national courts do not give different rulings on the same matter and that Member States and institutions do what the law requires of them. It also settles disputes between members, institutions, businesses and individuals.

The judges are drawn from each Member State (appointed for renewable six year terms). However, it is usual in 'grand chamber' for only 13 judges to hear a case or when sitting 'in chambers' for only five or three judges. In 1988, the General Court (previously known as the Court of First Instance) was created to help the Court of Justice deal with the larger number of cases before it. The Court is assisted by 8 advocates general who give reasoned and impartial opinions on cases brought before the Court. Since 2003 they have also been required to give an opinion on a case if the Court considers it raises a new point of law. However, the Court does not necessarily follow the advocate-general's opinion. Judgments of the Court are decided by a majority and made at a public hearing.

The Court of Auditors checks that the EU budget is correctly collected and spent. With around 800 staff (which includes administrators and translators in addition to the auditors), the Court examines the records of any individual or organisation that handles the EU's income or expenditure. It reports to the Commission and the Member States, and produces an annual audit report to the EP and Council. It does not have any legal powers—fraud or irregularities are reported to the European Anti-Fraud Office (OLAF).

The European Court of Human Rights is not an institution of the European Union. It is an international court set up by the Council of Europe in 1959 to rule on "individual or State applications alleging violations of the civil and political rights set out in the European Convention on Human Rights" ([European Court of Human Rights, European Court of Human Rights in Brief, 2009](#)).

3 Budget

The EU budget is set within a financial framework known as the financial perspective (FP). The current FP runs from 2007 to 2013 and was agreed in December 2005 under the UK's presidency of the EU. The financial framework sets binding limits to different classes of expenditure and to the overall level of expenditure. It is decided by unanimity and embodies an inter-institutional agreement. The Commission can make technical adjustment. Further information on the 2007–13 agreement is detailed in a House of Commons Library Research Paper, *The European Communities Finance Bill* (15th November 2007, RP 07/77).

The financial framework breaks down EU expenditure into six categories (the approximate proportion of the total budget for 2010 in each category is shown in brackets):

1. Sustainable growth: funding aimed at building Europe's growth potential and building prosperity across EU regions (45%).
2. Preservation and Management of Natural Resources: expenditure that includes CAP, rural development and fisheries policy (42%).
3. Citizenship, Freedom, Security and Justice: expenditure covering immigration, migration, security and fundamental rights and justice (1%).
4. The EU as a global player: includes EU foreign policy and international development expenditure (6%).
5. Administration: expenditure on the functioning of the EU institutions, including staff remuneration and building costs (6%).
6. Compensation: temporary expenditure to ensure that no new Member States will be a net contributor immediately following their accession. No expenditure is committed for 2010.

(HM Treasury, *European Community Finances: Statement on the 2009 EC Budget and measures to counter fraud and financial mismanagement*, July 2009, Cm 7640)

The Annual Budgets are first drafted by the European Commission, but also require agreement at different stages by the Council of Ministers and the European Parliament. The adopted 2010 EC Budget provides for commitment appropriations of €141.5 billion or 1.20% of EU GNI and payment appropriations of €122.9 or 1.04% of EU GNI.

For further detail on the 2009 Budget, please see HM Treasury, *European Community Finances: Statement on the 2009 EC Budget and measures to counter fraud and financial mismanagement* (July 2009, Cm 7640); and European Commission, *General Budget of the European Union for the financial year 2009* (January 2009).

3.1 Contributions by Member States

Contributions to the Budget are made by each Member State and consist of four elements:

1. Customs duties, including those on agricultural products, paid on a range of commodities imported from non-member countries.
2. Sugar levies charged on the production of sugar to recover part of the cost subsidising the export surplus Community sugar onto the world market.

3. Contributions based on VAT. Essentially, the VAT resource is the amount yielded by applying a notional rate of 1% to a VAT base, assuming an identical range of goods and services in each Member State. The VAT base is subject to a cap of 50% of 1% of the Member State's GNI.
4. GNI-based contributions calculated by taking the same proportion of each Member State's GNI. Because the Community is not allowed to borrow, revenue must equal expenditure. The GNI-based resource is the budget-balancing item covering the difference between total expenditure in the Budget and the revenue from the other three resources, subject to the overall own resources ceiling. The GNI contribution is now the largest element of revenue and accounts for 76% of the 2010 Budget.

The first two categories are known as Traditional Own Resources (TOR) and the other two are often referred to as the third and fourth resources.

The table overleaf shows EU Budget contributions and expenditure by Member State for the last three years available (House of Commons Library Standard Note, *The EU Budget*, 18th March 2010, SN/EP/864). These figures are based on data published by the European Commission and show the budgetary balance excluding non-EU related funding. The figures do include administration expenditure which can have a significant effect on the contributions of some Member States, such as Belgium and Luxembourg, where in 2007 the EU spent €3,880 million and €1,175 million respectively.

The table shows that in the last available year (2008), the UK net contribution on this basis was €2,804 million.

Each year the Treasury explains the differences between these figures published by the Commission and those published in European Community Finances (HM Treasury, *European Community Finances: Statement on the 2009 EC Budget and measures to counter fraud and financial mismanagement*, July 2009, Cm 7640, p 47). This publication covers just the UK. The difference between the European Commission figures and Treasury figures amounted to £494 million in 2006. Private sector receipts are counted in the European Commission figures (£745 million in 2007), while the Treasury considers public sector receipts only. The late adoption of an amending Budget for 2006 meant that implementation of this was not until January 2007, meaning the Government's figures are £855 million lower than the Commission's; a similar issue relating to a late amendment to the 2007 EU Budget means the Treasury figures are £686 million higher than the Commission's. The remaining differences relate to the payment of structural funds in different financial years. The Commission tries to match payments to particular Budgets while the Treasury look at the cash-flows in a particular year. The European Commission figures are the best available for Member State comparisons.

EU Budgetary Balances by Member State 2006-2008										
€million, includes administrative expenditure										
	Expenditure			Contributions			Net Contribution			2008 (per head) (in €)
	2006	2007	2008	2006	2007	2008	2006	2007	2008	
Belgium	5,625	5,679	6,108	4,156	4,372	4,631	-1,469	-1,307	-1,477	-138
Bulgaria	361	591	972	0	291	364	-361	-301	-608	-80
Czech Republic	1,330	1,721	2,441	1,035	1,167	1,396	-295	-554	-1,045	-101
Denmark	1,502	1,449	1,557	2,193	2,219	2,301	691	770	744	136
Germany	12,242	12,484	11,194	20,501	21,710	22,215	8,259	9,226	11,021	134
Estonia	300	377	368	130	177	161	-170	-200	-207	-154
Greece	6,834	8,429	8,514	1,834	3,020	2,328	-5,000	-5,409	-6,186	-552
Spain	12,883	12,796	12,094	9,800	9,838	9,966	-3,083	-2,958	-2,128	-47
France	13,496	13,897	13,722	16,636	16,989	18,025	3,140	3,092	4,303	67
Ireland	2,462	2,157	2,052	1,482	1,586	1,577	-980	-570	-475	-108
Italy	10,922	11,315	10,306	13,507	14,024	15,145	2,584	2,709	4,838	81
Cyprus	240	127	130	153	170	180	-86	43	50	63
Latvia	403	675	610	155	199	216	-247	-476	-395	-174
Lithuania	800	1,044	1,134	234	271	329	-566	-773	-805	-239
Luxembourg	1,165	1,256	1,410	217	296	259	-947	-960	-1,150	-2,378
Hungary	1,842	2,428	2,003	783	870	947	-1,060	-1,557	-1,056	-105
Malta	157	89	87	50	57	60	-107	-32	-27	-67
Netherlands	2,190	1,916	2,267	6,131	6,303	6,669	3,941	4,386	4,402	268
Austria	1,830	1,598	1,777	2,209	2,218	2,194	379	620	417	50
Poland	5,306	7,786	7,639	2,447	2,809	3,473	-2,859	-4,978	-4,167	-109
Portugal	3,635	3,904	4,117	1,378	1,460	1,466	-2,256	-2,444	-2,651	-250
Romania	693	1,602	2,666	0	1,089	1,218	-693	-513	-1,449	-67
Slovenia	406	390	456	279	359	408	-127	-31	-48	-24
Slovakia	696	1,083	1,242	402	519	595	-295	-563	-647	-120
Finland	1,280	1,423	1,321	1,560	1,629	1,710	280	206	389	73
Sweden	1,573	1,659	1,464	2,698	2,915	3,223	1,124	1,256	1,759	192
UK	8,294	7,423	7,310	12,381	13,429	10,114	4,086	6,006	2,804	46
Total (a)	106,576	113,953	116,545	108,423	117,563	121,236	
Note:	Bulgaria and Romania joined in January 2007, expenditure in 2006 relates to pre-accession spending; Negative net contribution indicates Member State is a net recipient; (a) Total includes non-EU revenue and expenditure and therefore is not the sum of expenditure and revenue by Member State; (a) Total revenue includes surplus from previous year; Net contribution per head based on Eurostat population estimates for 1st January 2008.									
Source:	European Commission, EU Budget 2008 - Financial Report, September 2009, available at: http://ec.europa.eu/budget/documents/2008_en.htm?go=t3_2#table-3_2 ; Eurostat population data, downloaded 16th October 2009.									

3.2 The UK's Abatement

The UK's financial contribution to the EU is abated (or reduced) according to a formula set out in the Own Resources Decision (ORD) 1988 and revised in 1994, 2000 and 2007. The abatement was negotiated by Margaret Thatcher in 1984 in response to the high proportion of the EU budget which was then spent on the Common Agricultural Policy (CAP) and which benefits the UK less than other countries with a larger farming sector. There are now a further four countries who benefit from a type of rebate—Germany, the Netherlands, Austria and Sweden.

The UK abatement equates to roughly 66% of the difference between what the UK contributes to the Budget and the receipts it gets back, for example in terms of receipts from EC grants, and is subject to the following points:

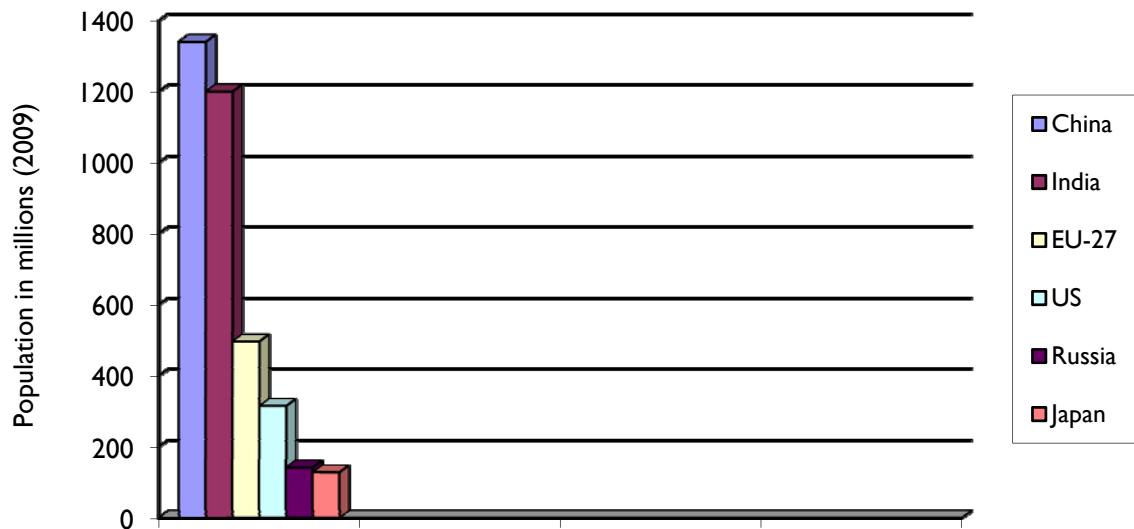
- the abatement only applies in respect of spending within the EU and excludes expenditure outside the EU (mainly aid);
- the UK's contribution is calculated as if the Budget were entirely financed by VAT; and
- the abatement is deducted from the UK's VAT contribution a year in arrears.

The Commission calculates the abatement on the basis of forecast contributions to the Budget and of receipts from it. This is then corrected in the light of outturn figures. Corrections may be made up to three years after the year in respect of which the abatement relates, with a final reckoning being made in the fourth year. Full details on the formula for the calculation of the UK abatement is set out in [article four of the Own Resources Decision](#) of 7th June 2007 (2007/436/EC). The estimated value of the abatement in 2009 was £6.0 billion (€6.3).

Various Member States are opposed to the UK abatement, not least because the new entrants tend to be poorer than the pre-2004 states, although the new Member States are also more likely to be net recipients of EU funds rather than net contributors like the UK.

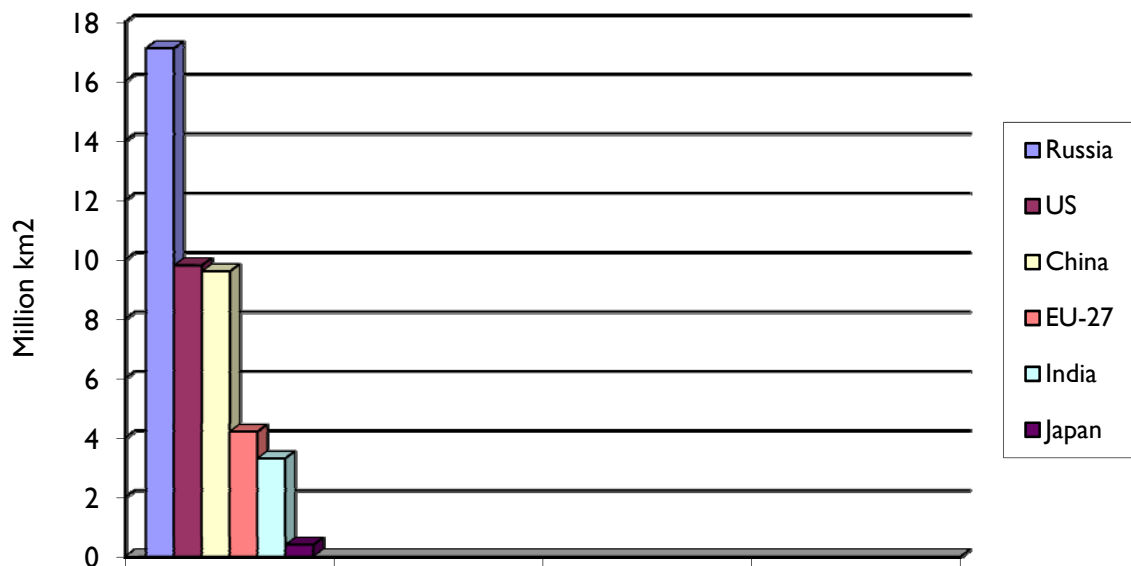
4 EU in the World: Comparative Statistics

Population



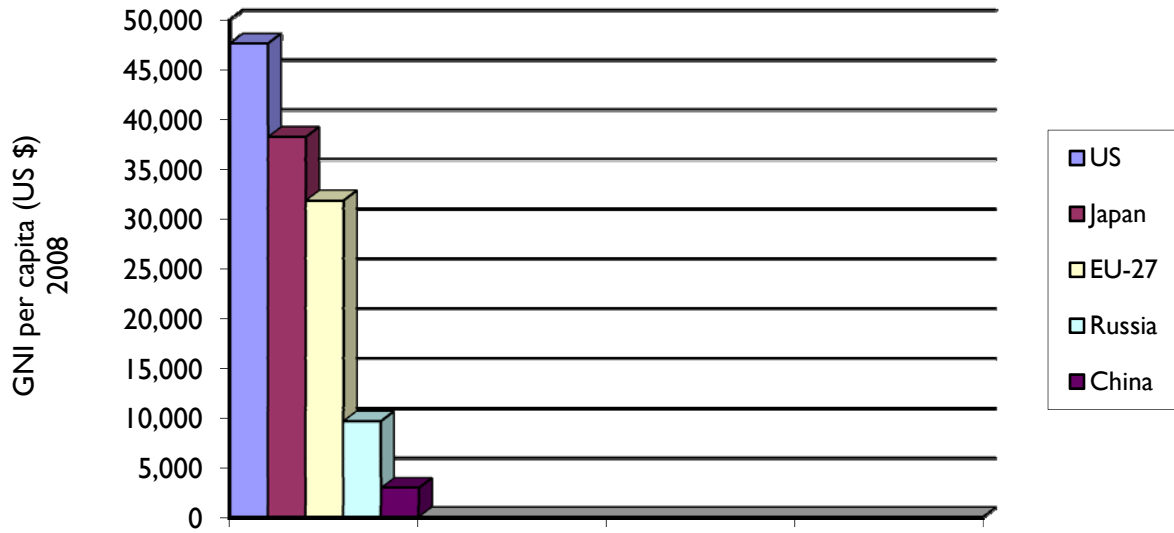
(Source: [BBC Country Profiles](#), accessed April 2010)

Land Size



(Source: [BBC Country Profiles](#), accessed April 2010)

Gross National Income per Capita



(Source: [BBC Country Profiles](#), accessed April 2010)

5 Table of EU Members

Member	Population (2008)	Land size (1000 km ²)	GNI per head (US\$) (2009)	Major Religion(s)	Date Joined	Treaty of Lisbon		European Parliament	The Euro zone		Council of the European Union	QMV
						Ratification date	Ratification method ²		Number of MEPs	Member (Y/N)		
Austria	8.4m	82.5	46,260	Roman Catholic 73.6%	1995	13/05/08	PV	17	Y	1999	Jan–Jun 2019	10
Belgium	10.6m	30.3	44,330	Roman Catholic 75%	1958	15/10/08	PV	22	Y	1999	Jul–Dec 2010	12
Bulgaria	7.5m	111	5,490	Bulgarian Orthodox 82.6%	2007	28/04/08	PV	17	N		Jul–Dec 2018	10
Cyprus ¹	871,000 (combined)	9.3	22,950	Greek Orthodox 78%	2004	26/08/08	PV	6	Y	2008	Jul–Dec 2012	4
Czech Republic	10.4m	77.3	16,600	Roman Catholic 26.8%	2004	13/11/08	PV	22	N		Jan–Jun 2009	12
Denmark	5.5m	43.1	59,130	Evangelical Lutheran 95%	1973	29/05/08	PV	13	N		Jan–Jun 2012	7
Estonia	1.3m	43.4	14,270	Evangelical Lutheran 13.6% Orthodox 12.8%	2004	23/09/08	PV	6	N		Jan–Jun 2018	4
Finland	5.3m	304.5		Lutheran Church of Finland 82.5%	1995	30/09/08	PV	13	Y	1999	Jan–Jun 2020	7
France	62.3m	544	42,250	Roman Catholic 83%–88%	1958	14/02/08	PV	72	Y	1999	Jul–Dec 2008	29

Germany	82.2m	357	42,440	Protestant 34% RC 34%	1958	25/09/09	PV	99	Y	1999	Jan–Jun 2007	29
Greece	11.2m	130.7	28,650	Greek Orthodox 98%	1981	12/08/08	PV	22	Y	2001	Jan–Jun 2014	12
Hungary	10m	93	12,810	Roman Catholic 51.9% Calvinist 15.9%	2004	06/02/08	PV	22	N		Jan–Jun 2011	12
Ireland	4.5m	68.4	49,590	Roman Catholic 87.4%	1973	23/10/09	R	12	Y	1999	Jan–Jun 2013	7
Italy	60m	295.1	35,240	Roman Catholic 90%	1958	08/08/08	PV	72	Y	1999	Jul–Dec 2014	29
Latvia	2.2m	62.3	11,860	Lutheran 19.6%, Orthodox 15.3%,	2004	16/06/08	PV	8	N		Jan–Jun 2015	4
Lithuania	3.3m	62.7	11,870	Roman Catholic 79%	2004	26/08/08	PV	12	N		Jul–Dec 2013	7
Luxembourg	486,000	2.6	84,890	Roman Catholic 87%	1958	21/07/08	PV	6	Y	1999	Jul–Dec 2015	4
Malta	409,000	0.3	16,680	Roman Catholic 98%	2004	06/02/08	PV	5	Y	2008	Jan–Jun 2017	3
Netherlands	16.6m	33.8	50,150	Roman Catholic 30% Dutch Reformed 11%	1958	12/09/08	PV	25	Y	1999	Jan–Jun 2016	13
Poland	38.1m	312.7	11,880	Roman Catholic 89.8%	2004	13/10/09	PV	50	Y		Jul–Dec 2011	27
Portugal	10.7m	91.9	20,560	Roman Catholic 84.5%	1986	17/06/08	PV	22	Y	1999	Jul–Dec 2007	12
Romania	21.3m	230	7,930	Eastern Orthodox 86.8%	2007	11/03/08	PV	33	N		Jul–Dec 2019	14
Slovakia	5.4m	49	14,540	Roman Catholic 68.9%	2004	24/06/08	PV	13	Y	2009	Jul–Dec 2016	7

				Protestant 10.8%,								
Slovenia	2m	20.1	24,010	Roman Catholic 57.8% Muslim 2.4%	2004	24/04/08	PV	7	Y	2007	Jan–Jun 2008	4
Spain	45m	506	31,960	Roman Catholic 94%	1986	08/10/08	PV	50	Y	1999	Jan–Jun 2010	27
Sweden	9.2m	410.3	50,940	Lutheran 87%	1995	10/12/08	PV	18	N		Jul–Dec 2009	10
United Kingdom	61.6m	243.8	45,390	Christian 71.6%	1973	16/07/08	PV	72	N		Jul–Dec 2017	29
TOTAL	496.366m	4215.1						736				345
AVERAGE	18.38m	156	31,816									

¹The whole of the island is in the EU. However, in the northern part of the island, in the areas in which the Government of Cyprus does not exercise effective control, EU legislation is suspended in line with Protocol 10 of the Accession Treaty 2003 ([European Commission website, 'Enlargement: Turkish Cypriot community'](#))

²PV: Parliamentary Vote; R: Referendum

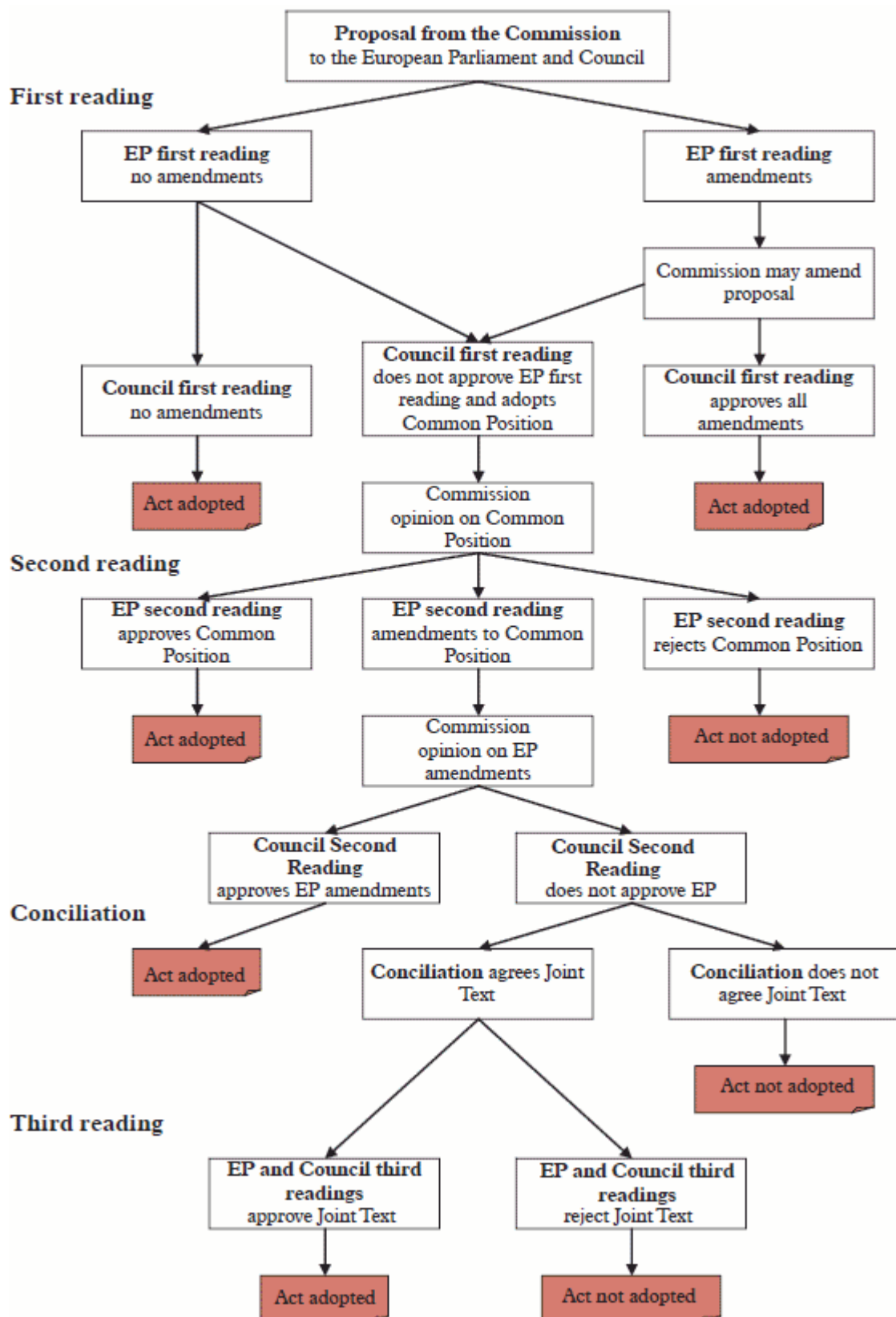
(Sources: [BBC website, 'Country Profiles'](#), [Europa website, 'Treaty of Lisbon—In Your Country'](#), [Europa website, 'The European Parliament'](#), [European Commission website, 'The Euro'](#), [Europa website: 'Council Decision of 1st January 2007 order in which the office of President of the Council shall be held'](#))

6 Applicants, Candidates and Potential Candidates

Country	Population	Land size (1000 km)	GNI per head (US\$)	Major Religion(s)	Membership status
Croatia	4.4m	56	13,570	Roman Catholic 87.8% Orthodox 4.4%	Candidate Accession negotiations (October 2005)
Turkey	74.8m	779	9,340	Muslim	Candidate Accession negotiations (October 2005)
Former Yugoslav Republic of Macedonia (FYOM)	2m	25.7	4,140	Macedonian Orthodox 64.7%, Muslim 33.3%	Candidate Accession negotiations yet to start
Iceland	323,000	103	40,070	Lutheran Church of Iceland 80.7%	Applicant 23/07/09
Albania	3.2m		3,840	Muslim 70% Orthodox 20%	Potential candidate
Bosnia-Herzegovina	3.8m	51	4,510	Muslim 40% Orthodox 31%	Potential candidate
Montenegro	624,000	13.8	6,440	Orthodox 74.2% Muslim 17.7%	Potential candidate
Serbia	9.8m (inc Kosovo)	88	5,700	Serbian Orthodox 85%	Potential candidate

(Sources: [BBC website, 'Country Profiles'](#), [European Commission website, 'Enlargement Countries'](#))

Appendix 1: The Ordinary Legislative Procedure—flowchart



(Source: House of Lords European Union Select Committee, [Codecision and National Parliamentary Scrutiny](#), 21st July 2009, session 2008–09, HL Paper 125, p 11)

Appendix 2: Political Groups in the European Parliament (2009–2014)

PPE-DE:	Group of the European People's Party (Christian Democrats)
S&D:	Group of the Progressive Alliance of Socialists and Democrats in the European Parliament
ALDE:	Group of the Alliance of Liberals and Democrats for Europe
Greens/ALE:	Group of the Greens/European Free Alliance
ECR:	European Conservatives and Reformists
GUE/NGL:	Con-federal Group of the European United Left-Nordic Green Left
EFD:	Europe of Freedom and Democracy Group
NI:	Non-attached Members

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