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## **BREXIT: IMPLICATIONS ON THE COMMUNITY BUDGET**

Sanja JELISAVAC TROŠIĆ<sup>1</sup>  
Jelena ŠUPUT<sup>2</sup>

*Abstract:* Following a referendum held in 2016, the United Kingdom will have to start the procedure for withdrawing from the membership in the European Union. Although the United Kingdom's contribution to the budget of the Community is extremely large, the country used its resources to a lesser extent. However, the UK has made a concession to the application of the corrective mechanism in order to reduce the disproportion between the means the country has given to the budget and the budgetary resources that are used.

Since in the 2016 referendum, most of the United Kingdom inhabitants voted for withdrawal from the Community, the question was raised about the consequences of such an act, especially for the European Union budget. The subject of analysis in this paper is the contribution to the budget of the Member States of the European Union, for the period 2010-2015, with a special reference to the contribution of the United Kingdom, as well as the analysis of the budgetary spending by the Member States. In this way, we will try to give answers which countries will mostly feel the consequences of the United Kingdom withdrawal from the membership in the European Union, in connection with the possibility of spending the funds from budget, as well as the implementation of the EU common policies. However, we should not make premature conclusions, given the fact that the withdrawal from the membership is an ongoing process.

*Key words:* Brexit, EU budget, United Kingdom, referendum, withdrawal, consequences.

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<sup>1</sup> Sanja Jelisavac Trošić, PhD, Research Fellow, Institute of International Politics and Economics, Belgrade. E-mail: sanja@diplomacy.bg.ac.rs

<sup>2</sup> Jelena Šuput, PhD, Research Fellow, Institute of Comparative Law, Belgrade.

## INTRODUCTION

One of the EU member states with the highest gross domestic product, and thus one of the countries that have in the past largely involved in the income side of the EU budget is the United Kingdom. Despite that fact, EU-skepticism has always been present in the UK. Some authors claim that the emergence of the concept EU-skepticism is associated with the United Kingdom. The term EU-skepticism in the UK is conditioned by historical circumstances. The reason for this is imperialism and British relations with its overseas colonies, which later became independent states. Therefore, in the UK, public opinion and the main political parties' opinion has long been dominated by a view that Europe is something different and in relation to the UK, it differs in the economic, cultural and political sense (Eftimovski, 2013, p. 542). Given the above attitude of the majority of British, who in 2016 voted in a referendum for the withdrawal from the membership in the European Union, is conditioned not only by mistrust in the European institutions and their decisions, but also because of the existence of a dominant attitude that the UK does not belong to the European continent.<sup>3</sup>

Brexit is not the first case of leaving the European Union, but it is in many ways different from its predecessors. Before the UK leaving the EU, the case was about the countries that were part of some other country, and the decision on the accession to the European Community was not their own. This is, firstly, the case with Algeria, which until 1962 was a part of France, which has been a part of the European Economic Community. By acquiring the status of an independent state, Algeria has ceased to be a part of that community.

On the other hand, the Greenland's decision to leave the European Economic Community differs from the reasons for such a decision in Algeria. In fact, Greenland at the very beginning, as an integral part of Denmark, voted against its accession to the community. By gaining autonomy in 1979, Greenland held a referendum in which the majority of the population voted to leave the European Union. Thus, in 1985 Greenland left the European Community. The relationship between Greenland and the European Union is still a subject of the contract, through the provisions of the Overseas Countries and Territories of the European Union (OCTs).<sup>4</sup> Specifically, this relationship is regulated by the Greenland contract, which is a special agreement

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<sup>3</sup> The United Kingdom European Union membership referendum, also known as the EU referendum and the Brexit referendum, took place on 23 June 2016. The result was an overall vote to leave the EU, of 51.9% on a national turnout of 72%.

<sup>4</sup> Final decision on the withdrawal of Greenland from membership in the European Union was preceded by a referendum which was conducted in 1982. On the referendum, the majority of the population opted for withdrawal from the membership. Such a decision was preceded by overfishing from vessels of the EU Member States in the waters above the island, which resulted with dissatisfaction of Greenland inhabitants.

signed in 1984 in order to facilitate the withdrawal from the European Community. This way of regulating relations, in a way, preceded the decision of a withdrawal agreement, which is specifically regulated by the Lisbon Treaty.

There is some specificity related to the withdrawal of Islands Saint Barthelemy from the EU membership. This island has long been a part of the French department of Guadeloupe, and in this way become a part of the European community. Later in 2007, with the legislative changes in France, it ceased to be a part of the Community, given that it became an overseas community and was later classified as a group of Overseas Countries and Territories.

Unlike other countries that withdrew from the membership in the European Union, the United Kingdom seems to have a very long time reserved attitude towards the membership in the Community. In 1975, just two years after joining the EU, the United Kingdom held a referendum in which, at that time, the population voted for staying in the European Union. Yet in 2016, most of the inhabitants of United Kingdom decided to quit the membership in the European Union, which initiated the procedure for withdrawal. Bearing in mind the structure of the budget of the European Community, which is largely dependent on contributions from the member countries, the subject of analysis in this paper is precisely the contribution of the United Kingdom to the budget of the European Union. The aim of such research is to search for a conclusion on the possible consequences for the budget, and therefore effects on the implementation of the Community common policies from the withdrawal of the United Kingdom from the EU membership.

## **THE UNITED KINGDOM WITHDRAWAL FROM THE EUROPEAN UNION**

The process of withdrawal from the European Union for the first time is regulated by Article 50 of the Treaty of Lisbon. While for accession it is necessary that Member States sign the Treaty of Accession, for leaving it is necessary that Member States sign the Treaty of Withdrawal. According to Article 50, the country withdrawing from the European Union, should give notice of its intention to the European Council, which, after the completion of negotiations with the country in question, decide on its withdrawal on the basis of a qualified majority, after obtaining the European Parliament consent. Only after making a decision they approach to the conclusion of an agreement setting out the arrangements for that country's withdrawal. The conclusion of such an agreement is not a novelty. A similar model was applied in respect of Greenland, which is used to be a part of the Kingdom of Denmark, which was a part of the European Community. From such a Community act to the Greenland, you could see the EU concern for their own interests. In that respect, they made a Treaty which regulated the relationship

between Greenland and the European Community (now the European Union) related to fishing in the waters of Greenland. The fishing was one of the reasons why Greenland has decided to withdraw from the Community. Therefore, prescribing contract withdrawal is not a concession to member countries, in order to allow their voluntary withdrawal from membership, but a mechanism to protect the European Union own interests. The European Union, in recent years, expands its membership, but at the same time faces many challenges.

The United Kingdom showed the most critical attitude towards the expansion of the Union's Treaty of Lisbon and other forms of stronger integration within the European Union (such as the acceptance of a common currency – Euro, and the entry into the Schengen Area). They were the ones that took the opportunity from the Treaty of Lisbon to call a referendum in June 2016, during which they voted to withdraw from membership in the said community (Gasmi, 2016, p. 92).

The reasons for withdrawal are numerous, and one among them is the fact that the United Kingdom saw a threat to the country's economic growth in the decisions of the administration in Brussels (Gasmi, 2016, p. 236). Some authors, supported by arguments, estimate that after the withdrawal of the United Kingdom, the so-called domino effect cannot be excluded, given the Netherlands, where elections are scheduled for the spring of 2017 and the government is discontent with growing European Union membership. Netherlands rejected the Association Agreement on the 6th of April 2016. There is a reference to the same effect even in France, where the British referendum ignited a public debate on the so-called Frexit, i.e. the possibility that France leaves the European Union (Gasmi, 2016, p. 238). However, arguments for the UK staying in the European Union are also present. Thus, there is an argument that the withdrawal from the EU will cause job losses in the UK, particularly in the financial field (Gasmi, 2016, p. 236). Despite withdrawing from the Union, many influential sectors of British society are highlighting their interests for close ties and strong economic presence on the European Union internal market, in contrast to the expressed will of the people to exit the EU. Especially large companies expressed their fear of financial losses due to absence from the single European Union market (Gasmi, 2016, p. 239). However, according to some British, the withdrawal could contribute to the remaining twenty-seven member states of the European Union, which will be able to make decisions on strengthening the Eurozone easier - especially in the field of the future joint tax policy, (with the exception of Denmark, which is an exception to the economic and monetary union), which is legally agreed in provisions of the Maastricht Treaty, formally the Treaty on European Union (Gasmi, 2016, p. 242).

Although there are views that the Community existed before the United Kingdom accession in 1973, and so it will exist after its withdrawal, the consequences will still be felt in the UK, and in the other EU member states. The European Union speaks with one voice on the international scene and experience

has shown that in this way the EU can achieve results that no Member State could have achieved alone (Jović Lazić, Jelisavac Trošić, 2016, p. 159). Given that the UK gives a large amount to community budget, its withdrawal will greatly affect the budget of the European Union, and therefore the implementation of many communities' common policies, which are financed from the budget. Yet, we should not ignore the fact that in recent years a large number of countries, with lower economic development were admitted to the EU membership, in relation to countries that have stronger and stable economies, which joined the European Union much earlier. The contribution of "new" countries to the EU budget is much smaller than the contribution of the United Kingdom, but a request for use of funds from the budget are the same or higher. Therefore, it is reasonable to ask whether, after the withdrawal of the United Kingdom, the budget of the community will have sufficient funds for the realization of European objectives.

### **THE STRUCTURE OF THE EU BUDGET**

The budget is a financial instrument of great importance for the functioning of the European Union. Provisions which are regulating a budget in a general way are contained in the Treaty on the Functioning of the European Union and the Treaty on European Union. According to Article 210 of the Treaty on the Functioning of the European Union, all EU revenues and expenditures are expressed in a budget, which according to the same provision must be in balance. The same article stipulates that the budget funds can only be spent in the amount corresponding to the anticipated annual appropriation act on the budget. In addition to the annual budget at Community level, it is possible to adopt the Multiannual Financial Framework (MFF), which presents, in accordance with Article 212, the revenue and expenditure review for the EU six-year period. That plan is adopted in a situation where certain policies, at a Community level, cannot be implemented in the course of a budget year. Although the amount of the member states contributions to the European Union budget vary depending on their size and economic development, all of them are required to respect the rules of financial discipline. In order to prevent possible abuse, which would have a negative impact on the financing of the Community, the sixth chapter of the Treaty on the Functioning of the European Union contains provisions concerning the fight against financial fraud.

Initially, the budgets of the European Communities were fully financed from contributions paid by the Member States, and then in 1970 (implementation 01. 01. 1971.) a decision on Communities' own resources was adopted. Then they introduced their own revenues, which should eventually completely replace these contributions. That would mean that the budget of the European Communities would be fully financed from its own revenues. The European Council adopted a

new legislative package in 2014, which includes the decision governing the system of own resources of the European Union. These changes are related to a multi-year period from 2014–2020. The rules contained in the Decision are applicable after the entry into force, from 1 October 2016, and retroactive from January 1, 2014.<sup>5</sup> The three types of own resources of the European Community's budget are defined as follows:

- Traditional own resources - revenues that are realized as a direct consequence of the existence of a single customs territory. These are the duties on agricultural products and customs duties. Traditional own resources account for duties on imports of products outside the European Union, as well as levies on imports of sugar. The Member States may retain 20% of this amount, which comes down to cover the costs of collecting these resources;
- Own resources based on value added tax (VAT), arising from the application of rate, which initially does not exceed 1% of the VAT base determined uniformly for the Member States in accordance with the rules of the European Community. Own funds on the basis of value added tax are applied to the flat rate of 0.3% on the harmonized VAT basis of each Member State; and
- Own resources based on gross national income (GNI), derived from the application of a specific rate to the total GNI of the European Union community. Although the aim of this was exclusively covering total expenses, which are not covered by other sources of revenue of the EU budget, revenue collection in this way has become the largest source of income for the Community budget. (Stojanović, 2007, p. 273)

In addition to its own resources, the European Union also has expenses, which are predicted by the financial regulations. Those are the following expenses:

- Expenditure in agriculture, such as expenditure on the Common Agricultural Policy (CAP)
- Expenditure for rural development and measures related to it,
- Expenditure for operations under the EU funds,
- Expenditure on internal policies,
- Expenditure for external actions, administrative expenditure,
- Reserves (monetary reserve, emergency reserve),
- Guarantee reserves (to cover loans to non-member countries)
- Assistance to countries engaged in the accession process to the European Union (Pre-accession Assistance (IPA)). (Stojanović, 2007, p. 179)

<sup>5</sup> Article 2 of the Council decision on the system of own resources of the European Union, provided the categories of own revenue and methods for calculating its amount.

When it comes to the budget of the European Union, there are also corrective mechanisms because some countries felt that they were paying too much into the budget, compared to other countries. Thus was introduced to the United Kingdom. The UK has reimbursed a percentage of the difference between its contribution and what it receives back from the budget (the 'UK rebate'). With respect to the United Kingdom, this is justified, given that much less of the budget was used, but it contributed to the increase thereof.<sup>6</sup>

Given the above, it appears that the financial and budgetary system of the European Union is set to a relatively stable basis, but still, they are shaken every time when the EU membership expands. The reason for that is the fact that the New Members have a considerably poorer economy than the oldest members of the Union do. In addition, newer members mainly base its economic activities on agricultural production, which is in most cases, in a bad shape as a result of the command economy. Therefore, from the budget of the European Union, primarily from the European Agricultural Guarantee Fund (EAGF), is set aside vast resources to assist in the development and promotion of agriculture in the new Member States (Stojanović, 2007, p. 31). However, given that the UK has begun the process of withdrawing from the European Union, it seems that the missing of contributions from this country will be felt, regardless of the corrective mechanism in relation to the amount of funds that Britain gave the Community budget. That circumstance is likely to have a negative effect on the developed Member States, given that they are large consumers of the European Union budgetary resources, and also on the countries preparing to join the EU.

### **THE EU BUDGET – REVENUES AND EXPENDITURES**

Bearing in mind the structure of the EU budget, it is clear that the higher the level of economic development of a country, the bigger will be its contribution to the budget of the Union. The funds from the budget of the European Union are not equally distributed to all member countries but focus on the needs of the community as a whole. Thus, taking into account the data from 2014, it can be concluded that the United Kingdom has spent 6,985 million euros from the EU budget, while the contribution to the Community budget was nearly twice as high and amounted to 11,342 million or 0.52% of gross national income.<sup>7</sup> Given the

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<sup>6</sup> The method of calculation of the amount of funds that the United Kingdom is refunded after accounting for differences between means giving the Community budget and resources to benefit from its budget is stipulated in Article 4 and the fifth Council Decision on the system of own resources of the European Union adopted by the Council decision on the system of own resources of the European Union, February 2014, N. 5602/2014.

<sup>7</sup> According to: European Union. United Kingdom. Accessed October, 18, 2016, from [https://europa.eu/european-union/about-eu/countries/member-countries/unitedkingdom\\_en](https://europa.eu/european-union/about-eu/countries/member-countries/unitedkingdom_en).

way in which funds are collected for the budget of the European Union, the subject of analysis in this paper were the official data on the spending of those funds by the Member States, as well as data on the amount of funds that over the past six years, the Member States have contributed to the budget. The aim of the survey is to reach a conclusion about the Brexit implications on the community budget, and also on the activities to be carried out in order to implement EU common policies. Given that in recent years the European Union enlargement included countries of the former Eastern Bloc, when analyzing the data contained in the official records we took into account the total amount of contributions to the European Union budget of those countries.<sup>8</sup> The specific comparative analysis was carried out in relation to the annual amount of the contribution of the United Kingdom. Data are presented separately for each of the previous six years.

### **The United Kingdom's participation in income and expenditure of EU budget in 2010**

According to official data, in 2010, the UK was ranked sixth in terms of funds expenditure from the Community budget. During that year, most of the funds were spent in Spain, followed by France, Germany, Poland and Italy. When it comes to contribution to the budget, the United Kingdom is a member of the European Union which has made one of the largest contributions in 2010. Only Germany, France and Italy are in front of the UK. That outcome is quite expected, bearing in mind that in 2010 Germany had the highest GNI, followed by France and the United Kingdom. When it comes to contribution to the budget of the countries that have acceded to the Community in the last two rounds of accession, it seems that their overall contribution is significantly lower than the annual contribution of the United Kingdom. When it comes to the contributions of members from the former Eastern Bloc (Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovenia and Slovakia), the total amount of shared contributions in 2010 was 7,722.3 million euros, while the contribution of the United Kingdom was 12,145.8 million euros. According to the data, the largest consumers of the budget in 2010, in addition to Poland, which is a country of the former Eastern Bloc, are Germany

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<sup>8</sup> Although member country of the Eastern Bloc was the Soviet Union, in order to conduct research in this paper, we have been taken into account only countries in which after the Second World War was established a socialist or pro-Soviet bloc, which are now EU members: Poland, Czechoslovakia, Hungary, Romania and Bulgaria. Since the 1998 split of Czechoslovakia into two countries the Czech Republic and Slovakia, while research has been taken into account the contribution to the budget of the European Union is calculated from both of those countries. Bearing in mind the fact that the Federal People's Republic of Yugoslavia was part of the Eastern bloc until 1948, when research is taken into account, the contributions to the budget of the European Union made by Slovenia and Croatia is calculated. They are the only former Yugoslav Republic members of EU.



and France, the most developed countries, which recorded the highest gross national income in the same year (European Commission, EU expenditure and revenue 2014-2020).

These data show that the consumption of the EU budget is not governed by the policy to spend most on the poorest member countries, on the contrary, according to the data, among the leading consumers of the EU budget are the richest EU member states.

### **The United Kingdom's participation in income and expenditure of EU budget in 2011**

In 2011, from the European Union member states, Poland was the biggest spender of public funds, while the United Kingdom, with spent 6,570.0 million euros, took seventh place, behind Spain, France, Germany, Italy and Belgium. Looking at contributing to Community budget, in 2011 the largest contribution was given by Germany and France, followed by Italy, and the United Kingdom on the fourth place. We should bear in mind that the United Kingdom contribution to the Union budget was in the amount of 11,273.4 million euros. This happens at the time when the United Kingdom, was in the third place in terms of achieved gross national income. The higher gross national income had only Germany and France. When it comes to contribution to the EU budget of the countries belonging to the Eastern Bloc, in 2011, total combined recorded revenue amounted to 7,935.5 million euros, while the contribution of the United Kingdom, as we already mentioned, was 11,273.4 euros. The amount of joint contributions to the budget of the European Union by Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovenia and Slovakia is substantially lower than the amount of the annual contribution of the United Kingdom to the budget of the European Union (European Commission, EU expenditure and revenue 2014-2020).

### **The United Kingdom's participation in income and expenditure of EU budget in 2012**

According to official data, in 2012, the most funds from the European Union budget is spent by Poland, followed by Spain, France, Germany, Italy, Belgium and the United Kingdom. When it comes to contributing to the Community budget, the United Kingdom, according to the given amount is in the fourth place, while in front of it was Germany, France and Italy. In the same year, according to available data, the highest gross national income had Germany and France, while the United Kingdom was in the third place. When it comes to the total amount of contributions to the budget of the European Union by the countries of the former Eastern Bloc, in the course of 2012, it amounted to 8,429.1 million euros, while

the total contribution to the Community budget by the United Kingdom amounted to 13,461.1 million euros. This again suggests that the total contribution of the members of the Eastern Bloc to the budget of the European Union was significantly lower compared to the amount of the annual contribution of the United Kingdom. Of course, among the biggest consumers are precisely the most economically developed countries, including Poland as the economically most developed country among the former members of the Eastern Bloc (European Commission, EU expenditure and revenue 2014-2020).

### **The United Kingdom's participation in income and expenditure of EU budget in 2013**

In 2013, the biggest consumers of the budget of the European Communities are Poland, France, Spain, Germany and Italy, while the United Kingdom is only in the sixth place. When it comes to the Member States contribution to the Community budget, in 2013, the highest contribution gave Germany, followed by France and Italy, while in the fourth place is the UK with 14,509.5 million euros. In the course of 2013, the highest gross domestic income was earned in Germany, followed by France, while the UK is in the third place. The total contribution of Bulgaria, the Czech Republic, Croatia, Hungary, Poland, Romania, Slovenia and Slovakia to the budget of the European Union in 2013 amounted to 9,295.9 million euros. It is noticeable that there was a slight increase in the amount of contributions to the EU budget by the countries from the Eastern Bloc, which is a result of the accession of Croatia to the European Union. However, it continues to be a much smaller amount in relation to the annual contribution of the United Kingdom to the Community budget (European Commission, EU expenditure and revenue 2014-2020).

### **The United Kingdom's participation in income and expenditure of EU budget in 2014**

During 2014, the most funds from the EU budget were spent by Poland, followed by France, Spain, Germany, Greece and Belgium. The United Kingdom is placed in the sixth place, according to the consumption of those resources. In terms of contributions to the Community budget in 2014, Germany gave the most funds, followed by France, Italy and the United Kingdom. That same year, the UK gave to the European Union budget 11,341.6 million euros, while it spent 6,984.7 million euros, which is a considerably smaller amount compared to the annual budget funding. While in the same year, according to available data, the European Union in terms of realized gross national income was ranked third, behind Germany and France. In 2014, the rebate (UK corrective mechanism) amounted

to almost 6.1 billion euros, reducing the UK's national contribution by 35% – to 11.34 billion euro – leaving it the fourth largest national contribution.<sup>8</sup>

The Ex-Eastern Bloc (Bulgaria, Czech Republic, Croatia, Hungary, Poland, Romania, Slovenia and Slovakia) contributed to the increase in the budget of the European Union in 2014 for an amount of 8821.5 million, which is significantly less than the contribution of the United Kingdom, which in the same year amounted to 11,341.6 million euros.

### **The United Kingdom's participation in income and expenditure of EU budget in 2015**

According to the European Union data in 2015, the largest part of the funds from its budget was spent by France, followed by Spain, Poland, Italy and Germany. Only after mentioned countries follows the United Kingdom. Regarding the countries of the former Eastern Bloc, in 2015 the largest amount of funds spent Poland, which is located at the top of the countries that spent the largest amount of funds from the EU budget. Other Eastern European countries are spending much less European Union budget funds. Among those, after Poland, expenditure from the EU budget is led by the Czech Republic, and followed by Romania, Hungary, and Bulgaria. Countries that were once part of the Socialist Federal Republic of Yugoslavia, and which are now members of the European Union - Republic of Croatia and Slovenia are modestly spending funds from the community budget. They can even be classified among the countries that are the least spending the budgetary funds of the European Union (European Commission, EU expenditure and revenue 2014-2020). However, when it comes to the contribution of the United Kingdom to the budget of the European Union, on the basis of available data, it appears to be significantly changed compared to the previous years. When it comes to contribution to the Community budget by the following Member States, Germany gave the most, followed by France, while in third place is the United Kingdom. During 2015, looking at the aspect of gross national income, the United Kingdom is in the second place compared to other member states, while the first place took Germany (European Commission, EU expenditure and revenue 2014-2020). It seems that the contribution of the United Kingdom to the European Union budget is significantly higher compared to the spent funds by that member. The contribution of the United Kingdom to the European Union in 2015 amounted to 18,209.4 million euros, while the UK spent from the budget a total of 7,457.6 million euros. One can, therefore, conclude that the United Kingdom,

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<sup>9</sup> European Parliament Think Tank. (18. 02. 2016). The UK 'rebate' on the EU budget: An explanation of the abatement and other correction mechanisms. Accessed October 17, 2016, from [http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS\\_BRI\(2016\)577973](http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_BRI(2016)577973)

to a greater extent, contributed more to the budget of the European Union than it spent from it (European Commission, EU expenditure and revenue 2014-2020).

In recent years, the European Union has acceded by the member countries of the former Eastern Bloc, and the accession of other South Eastern European Countries is expected to continue. During 2015, the contribution of the new member states to the Community budget was less than half compared to the contribution of the United Kingdom. Thus, in the course of that year, the total contribution to the Community budget by the Slovak Republic, Slovenia, Romania, Poland, Bulgaria, the Czech Republic, Croatia, and Hungary totaled 9,027.2 million euros, while the contribution of the United Kingdom amounted to 18,209.4 million euros. Just this fact testifies to what extent Brexit will reduce the budgetary resources of the Community. Funds from the EU budget are not spent only on programs that are carried out in the new member countries, but also by the institutions of the old member countries. The territory of some Member States is large, and the consumption needs are high, and therefore we can conclude that the consequences of the United Kingdom withdrawal from the EU will be felt not only in less developed EU countries but also in those that are considered to be among the most developed in the world, like Germany and France.

## CONCLUSION

Although the United Kingdom became a member of the European Union in 1973, it always had a reserved attitude towards the European membership. This attitude is present from the start, given the fact that only two years after the EU accession, the United Kingdom held a membership referendum. EU-skepticism was also present in other decisions made by political leaders of the United Kingdom. Also, the United Kingdom, unlike most of the Member States has not adopted the Euro as the official national currency. Apart from that, a special corrective mechanism was applied in relation to the United Kingdom to lower the UK's contribution to the EU budget (in effect since 1985), although that state is one of the EU countries with the highest gross national income.

Despite the implementation of these measures, the UK was still located among the leading countries in terms of contributions to the budget of the European Community. The amount of funds from the budget of the European Union, which was used by the United Kingdom, according to available data, is much smaller in comparison to the amount that is paid into the Community budget. The budget funds were used for the implementation of common policies on the territory of the Member States. The biggest users of the EU budget are the most developed countries, i.e. states with the largest gross national income. Those countries are also the largest beneficiaries to the Community budget, taking into account the available data.

However, in recent years, the European Union expands to the countries that once belonged to the so-called Eastern Bloc. From those countries the highest gross national income and thus the largest EU budget contributor, in the last six years, was Poland. However, although Poland in the previous period, compared with Germany and France, has given a significantly smaller amount of funds in the EU budget, Poland, Germany and France are at the top in terms of consumption from the European Union budget, all three ahead of the United Kingdom.

In regard to the EU enlargement policy towards candidate countries, this paper analyzes the content of official records in terms of expenditure and revenue of the EU budget in the last six years, i.e. 2010, 2011, 2012, 2013, 2014 and 2015. In order to comprehend the loss that the EU budget will suffer after the withdrawal of the United Kingdom, we had taken into account the total amount of annual contributions of the member states, which once belonged to the Eastern Bloc. This analysis is gaining in importance, especially bearing in mind that in the coming period, we expect further enlargement of the EU, including countries from the former Socialist Federal Republic of Yugoslavia, the Republic of Serbia and Montenegro. After analyzing the above data, it can be concluded that, although after 2013 with Croatian admission to the EU, which increased the amount of contributions to the EU budget from the former members of the Eastern Bloc, this amount is considerably smaller than annually budget contributions from the United Kingdom. If you just single out the last year, 2015, during that year the amount of funds that the EU member states from Eastern Bloc (Bulgaria, the Czech Republic, Croatia, Hungary, Poland, Romania, Slovenia and Slovakia) gave to the EU budget was more than two times lower compared to the contribution of the United Kingdom.

Taking all facts into account, what appears in the analyzed period is that the United Kingdom contributed to the EU budget to a greater extent than it used funds from it. Given the above, it is likely that this fact heavily influenced the decision of the United Kingdom to withdraw from the membership in the European Union.

When it comes to the use of funds from the Community budget, the consequences of the UK withdrawing will be felt to a greater extent in other countries than in the UK itself. Despite the high amounts of contributions to the European budget the biggest users of these funds, such as Germany and France, will surely to a large extent feel the effects of the UK withdrawal from the EU membership. Also, to a large extent, this will be felt in Poland, given that it, in the period of 2010-2015, increasingly consumed the funds of the EU budget more than it contributed to the budget. In addition, one should not forget the fact that even the admission of new countries from the former Eastern Bloc states, will not be able to compensate for the loss of the Community budget, which will be the inevitable consequence of the withdrawal from the membership of the United

Kingdom. This will significantly affect the implementation of the common policies of the Union and most likely produce an increasing discipline on the use of the EU budget. All this will result in an increase in the frequency of controls performed by the competent authorities of the European Union. However, the UK will not, compared to other countries, greatly feel the consequences concerning the use of the EU budget, although the UK herself will feel some effects of certain economic-financial nature. However, although it started the process of withdrawal, holding a European Union membership referendum, the UK is still a member of the EU, bearing in mind the provisions of the Lisbon Treaty. One can, therefore, say that the severe consequences of its withdrawal from the membership will be felt only in years to come.

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Sanja Jelisavac TROŠIĆ  
Jelena ŠUPUT

### **ISTUPANJE VELIKE BRITANIJE IZ EVROPSKE UNIJE I POSLEDICE PO BUDŽET ZAJEDNICE**

*Apstrakt:* Velika Britanija će nakon referenduma održanog 2016. godine započeti postupak istupanja iz članstva u Evropskoj uniji. Iako je njen doprinos budžetu Zajednice bio izuzetno veliki, ona nije u tolikoj meri koristila njegova sredstva. Međutim, Velikoj Britaniji je učinjen i ustupak u pogledu primene korektivnog mehanizma kako bi se umanjila nesrazmernost između sredstava koja je navedena zemlja davala budžetu i budžetskih sredstava koja je koristila.

Kako se na referendumu iz 2016. godine većina stanovnika Velike Britanije odlučila za istupanje iz navedene Zajednice, postavlja se pitanje kakve će posledice takav čin imati po budžet Evropske unije. Predmet analize u ovom radu jeste doprinos zemalja članica budžetu Evropske unije u periodu od 2010-2015. godine sa

posebnim osvrtom na doprinos Ujedinjenog kraljevstva, kao i analiza trošenja budžetskih sredstava od strane zemalja članica. Na taj način pokušaćemo da damo odgovore koje zemlje će u najvećoj meri osetiti posledice istupanja Velike Britanije iz članstva u Evropskoj uniji, a u vezi sa mogućnošću trošenja sredstava iz njenog budžeta, kao i realizacijom zajedničkih politika navedene zajednice. Ipak, ne bi trebalo donositi preuranjene zaključke, s obzirom da je postupak istupanja iz članstva tek na početku.

*Ključne reči:* istupanje iz članstva, budžet EU, Velika Britanija, referendum, posledice.

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