

Major problems with overseas aid for Eastern European countries

I was surprised to read in the Sunday press that some people think it a good idea to divert overseas aid to Eastern European members of the EU to “buy” a better deal with that organisation.

As I have explained before, there is no Treaty power to require a UK leaving payment above and beyond completing our annual payments to their budget for the period of our continuing membership. Nor is it legal under WTO rules to pay for more favoured trade with a particular country or group of countries than the rest. Payment for trade under WTO rules takes the form of accepting tariffs, and these have to be limited to the current mfn schedules the EU has agreed.

The trade choice is for the rest of the EU to make. The UK would be quite happy to carry on tariff free. That will help the rest of the EU more than us. It would mean registering our current trade arrangements as a Free Trade Agreement at the WTO. Or we can trade under mfn arrangements under the WTO. Most of UK trade will be tariff free, whilst EU sales of agricultural products would suffer heavy tariffs into the UK. The UK could agree lower or no tariffs with other cheaper suppliers of food around the world through the WTO process. I have said it is in the EU's interest to accept the tariff free offer, and they may do so after much huffing and puffing. I have also always said that they might decide to harm themselves by accepting WTO terms instead. Under the general WTO arrangements the UK will be fine.

The overseas aid idea also falls well foul of the overseas aid rules. The Eastern countries in the EU do not qualify for overseas aid under the international definition, as they are too well off. UK Ministers by law have to hit the 0.7% Aid target under international definitions, so they could not switch this aid money to Eastern Europe unless they repealed the 0.7% requirement. It would not be easy to achieve repeal, given the likely fact that all the opposition parties would oppose repeal other than perhaps the one UKIP MP. The government might be able to persuade enough Conservative MPs to get it through the Commons, but the Lords would be likely to have a big majority the other way. As it would not be a Manifesto pledge, and does not stem directly from a referendum, the Lords might become very difficult.

In circumstances where the EU Commission and one or two large countries were not wanting a free trade Agreement with the UK for political despite their interests in having one, it is difficult to see how offering to send money to Eastern countries would buy a change of heart.