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THE EU BUDGET: TAKING A SECOND LOOK

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Ahead of the European Council on 7-8 February, the main challenges of the EU budget negotiations need to be put into perspective; it is the purpose of this Viewpoint co-signed by Yves Bertoncini and António Vitorino.

Now that negotiations on the European financial framework for 2014-2020 have entered the final phase, it is important to shed light on the main issues relating to the amount, the aims and the scope of the EU budget.

1. The amount of the EU budget is going to remain low even after 2013, but its concrete impact is still going to be far from negligible.

The Commission's proposal provides for raising the ceiling for commitment appropriations for the period stretching from 2014 to 2020 to 1,033 billion euro, as against the figure of 864 billion euro allocated from 2007 to 2013. Marked as they are by the crisis, the current negotiations could lead to a cut of approximately 100 billion euro. With a budgeted amount of less than 950 billion euro, the new financial framework could therefore have a smaller size than between 2007 and 2013 (1.05% of EU's GNI), and fall below the symbolic threshold of 1% of the EU's GNI. This relative decrease marks a defeat for the European spirit, a defeat that is of course highly regrettable considering the common challenges facing the EU member states, which need to learn to "spend better together".

Yet the Community budget is going to continue to be strategic in certain spheres and in certain countries – in fact, that explains why the beneficiaries involved have once again been debating the issue so forcefully. It is because it accounts for over 2/3 of European public expenditure on agriculture that this sector lies at the heart of the debate, while this budget is marginal in such areas as education or defence. It is because the impact of Community spending sometimes represents several percentage points of GDP in certain countries that it is perceived as vital by them – which don't share the view that it's a ridiculously low-level budget. And lastly, it is because it has a substantive multiplier effect that the EU budget's impact goes way beyond 1% of the common GNI: this is true both for the co-funding method adopted in the context of the cohesion policy, as for the funding of the trans-European energy, transport and ICT infrastructures planned under the "Connecting Europe Facility", which will involve public and private players and the EIB.

2. Even if the current debate has remained fuzzy regarding the aims of the EU budget, its outcome must issue a few clear political signals.

The evolution of the negotiations over the EU budget is due, in part, to the effect of a funding method some 75% of which rests on direct national contributions, which member states are concerned to curb or even decrease at a time of crisis: it then needs to be stressed once again that the adoption of new own resources could allay the pressure on these negotiations. But if we take a closer look, we can see that it is also the fuzziness surrounding the budget's aims which appears to be hindering the forging of a mobilising consensus around the spending that it generates in the member states and beyond.

We have then no choice but to state that it seems to be counterproductive to peddle the EU budget as a tool basically focusing on "growth and employment", invoking the flimsy EU 2020 strategy. This, because Europe's governments and citizens consider that any boost to growth and employment is spawned primarily by national and regional choices; and that the European level undoubtedly plays a crucial role thanks to the legal instruments available to it, in particular in the context of deepening the internal market, of the flexible application of the Stability and Growth Pact, and in connection with the evolution of ECB interest rates; but at the same time, they consider this European level to play a role which, while useful, is subsidiary in terms of its budgetary contribution to the creation of growth and employment.

Although adopted in a different context, the "Delors Packages" were based on a triptych far more suited to imparting legitimacy to Community spending by dovetailing "competition, cooperation and solidarity". A narrative of this nature makes it possible to justify the principles underlying agricultural and cohesion spending, which rests on overall political compromises linked to the technical and geographical creation and deepening of the internal market: the conclusion of the ongoing negotiations should make it possible to assess the solidity of those compromises, particularly in a Franco-German context. This narrative also encourages focusing on the European aspect of "competitiveness spending" and thus on beefing up funding for common research projects and for the major pan-European transportation and energy networks. Moreover, it is perfectly compatible with the need to boost European spending in the external relations field, either through the Community budget or on the basis of *ad hoc* cooperation projects.

Having dismally failed to illustrate the EU budget's principal aims in any clear fashion, the current negotiations must at least issue a few clear political signals, directed primarily towards the victims of the crisis. Thus the fate of the "Erasmus for all" programme, set to mobilise 19 billion euro over seven years (less than 2% of the total) is going to be crucial in view of the economic and social difficulties being experienced by young people in Europe. Similarly, the outcome of the negotiations on the "European Food Aid Programme for the Most Deprived" is going to be a litmus test: even though the strict application of the principle of subsidiarity has led to its being questioned by the Court of justice, maintaining the programme – albeit reviewed and updated – is both a political and a symbolic necessity. The same is true also of the funds allocated to the "European Globalisation Adjustment Fund", which a narrow interpretation of the principle of subsidiarity is forcing in a downward direction when it is the EU's duty to cater for the victims of a deregulation for which it is itself partly responsible.

The handling of these three issues is going either to confirm or to overturn the image of the EU as a player that provides massive aid to banks but that then has trouble coming up with the money required to directly support the victims of the crisis (when in fact the two are by no means mutually exclusive).

3. The compromise thrashed out at the European Council is not going to put an end to the debate on the need to beef up European spending.

Whatever their outcome, the European Council negotiations are not going to put an end to the debate on the European budget and a wider reflection on opportunity to have more Europeanized public spending.

This, first and foremost, because it falls to the European parliamentarians either to confirm or to amend the compromise adopted by the European Council: they fought long and hard to do so after the previous negotiations in 2006; they adopted a fighting stance during the debate on the annual budgets for 2012 and 2013; so it falls to them once again to take a second look and to rise to the level of the issues at stake over the coming weeks.

Another reason why the debate is not over is because it will go on with the negotiation of the guidelines and the detailed content of the main policies funded by the EU budget: in this connection, it goes without saying that reaffirming the full legitimacy of the CAP or of the cohesion policy does not rule out the fact that they also need to be amended or reformed in order for them to be fairer and more effective.

And lastly, the debate must go on because the EU budget only accounts for a part of European spending: non-Community European spending is already fairly substantial in the fields of R&D (see the European Space Agency, for instance) and of defence (see external operations, for example); it occurs also in a bilateral or multilateral framework (for instance, the "FGYO" in the field of youth mobility); and it will be able to develop further thanks to all or a part of the resources deriving from the tax on financial transactions which the French president has proposed allocating to activities for the younger generations. All of these developments are, of course, also going to have to be analysed and encouraged in order to ensure that they spawn offsets favourable to boosting European spending, which is more necessary than ever before in view of the increasingly scarce public funding available and of global competition.

Even if the negotiations over the EU's financial framework after 2013 are only one episode in Europe's budgetary history, we may sincerely hope that they spawn the most ambitious compromise possible – after which, it will be time to mobilise for the implementation of a euro-zone budget devoted to the proper functioning of the EMU.

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