

A NEW RESOURCE FOR THE EUROPEAN BUDGET

As Member States prepare to renegotiate the full range of resources allocated to community policies in the coming lengthy seven-year period, the vast majority appear to believe that since all national budgets are being cut, the budget of the European Union should be similarly curtailed. This approach is misguided. It is based on faulty assumptions and runs counter to European interests.

The assumptions are wrong because national budgets are different from the European budget, and to compare the two is an exercise in demagoguery. It must be remembered that the EU budget only accounts for about 1% of GDP compared to 25% in the U.S.

Curtailing the EU budget would run counter to the interests of Europe because it would condemn the Union to economic depression or at best stagnation. At a time when national governments are forced to adopt austerity measures, the European budget can and must be used as an instrument to boost the economy. The Union is granted new competencies by the Lisbon Treaty and has set very high goals for 2020 to promote intelligent, sustainable and inclusive growth. With its current resources it will be unable to achieve these goals. The EU's momentum and democratic underpinnings would again be shaken by a complete mismatch between the objectives it proclaims and the resources made available to achieve them.

EU spending is not simply added to national spending. In a number of areas (such as solidarity, defence, research and innovation and European energy and transport infrastructure), the Union can streamline total spending through economies of scale and take more effective action with fewer resources. Can the EU's current resources be used to increase the Community budget? Certainly not. The bulk of the EU budget is financed through national contributions provided by Member States at a time of national belt-tightening.

The European Union needs a new own resource, with receipts going directly to the EU budget rather than being channelled through Member States. In fact, it is this type of resource that was foreseen by the Founding Treaties for the financing of EU actions.

Governments would be wrong to see this as the spectre of a European tax and use it to alarm to public opinion. A new own resource could increase the EU budget and decrease Member State contributions. It would enable the Union to make progress in combating climate change, through a carbon tax, or excessive financial risk-taking, through a tax on financial transactions.

European citizens would fail to understand if the post-crisis world were to be a carbon copy of the pre-crisis world with a bit less growth and more unemployment. A European economic recovery budget based on a new own resource, to be used to achieve ambitious goals, is an economic and social necessity and a matter of political urgency.