4.9 Evidence from the country papers

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The country papers allow us to draw some conclusions on some important issues of the budget review. Of course, these conclusions should be handled as preliminary, since the budget review is just entering its most intensive phase. On a number of issues, however, one can already see the probable convergence or divergence of positions.

Table 11 on pages 130-131 summarises the most important remarks of the country papers, related to the following aspects: the introduction of an EU tax; the future of the UK rebate and related rebates; the future of the CAP and Cohesion Policy; proposed new expenditure items (or important increases in parts of already existing items); and the overall size of the EU budget.

The prospects of the introduction of an EU tax do not seem to be very bright. Four of the eight Member States are clearly against such a step. The other four Member States declare a fairly open attitude towards a possible debate on an EU tax, but they do not have any concrete proposals. The question is whether their attitude would be positive or not in the case of a concrete debate on a concrete proposal.

The reluctance with regard to the introduction of an EU tax, however, does not mean that these countries would like to see the financing of the EU budget unchanged. The papers on the net contributor countries (Germany, France, Sweden and the UK) in particular expressed an interest in the move towards an entirely GNI-based financing of the EU budget. As far as the information in the papers on the other four countries allows us to conclude, these countries would not oppose such a change.

A detail, but a very important detail on the financing side is the UK rebate, together with the related rebates (for Germany, the Netherlands, Sweden and Austria). Naturally this issue divides the camp of the net contributors: while the UK is interested in maintaining it, the other countries are more in favour of a substantial change. Due to the specific link between the UK rebate and the reform of the CAP, established during the negotiations of the 2007-2013 Financial Framework, France as the traditional main beneficiary of the CAP is a specific country from this point of view.

While it is impossible to predict the shape of the change of the present form of rebates – the two basic options are the abolishment of all rebates and the creation of a general correction mechanism – changes are more than likely to occur: this is also confirmed by the opinions expressed in the papers on the four other countries, as well as by the results of our questionnaire survey.

The change mentioned above is even more likely, bearing in mind the fact that as the expenditure item that is very much connected with it politically, the CAP, is also likely to change. Of course, the position of France is still different from that of most other EU15 Member States, and among the EU12 Poland or Hungary may have the strongest interests in maintaining the CAP. However, according to the country papers all these countries are aware of the fact that some kind of reform of the CAP is unavoidable (due to both external and internal factors), which once again supports our survey results. In addition, it is worth emphasising here again that the position of France, traditionally the biggest beneficiary of the CAP, is changing: if the reform of the CAP can be linked with a reform or abolishment of the UK rebate, France could gain in financial terms.

Regarding the Cohesion Policy, opinions expressed are quite mixed. Some countries would concentrate on the neediest regions throughout the EU27, some would prefer concentrating on the neediest Member States; this also raises the question of the optimal level of EU intervention. In several countries, arguments are raised for the concentration of the efforts, but in one of them (France) also for broadening their competence. Unsurprisingly, Poland and Hungary wish to keep their current high level of support, and Bulgaria is also hoping to reach similar levels. In the light of all these positions, the UK preference for a significant reduction in EU financing for cohesion promises conflicts. Even if we are far from the end of the budget review and even farther from the Agenda 2014 negotiations, there can be little doubt that the Cohesion Policy will once again be the field of the toughest battles of the EU budget.

Of course, there is a possibility that new fields will join it – the “wish list” of proposed new expenditures is a long one. However, at the present stage, we should handle this list carefully: as it is stated in the country papers, some net contributors of the EU budget have already pointed out that any new expenditure may occur only at the expense of present expenditure items. On the other hand, net beneficiaries of the budget would like to preserve the items which assure their present positive balance, therefore they will probably not be willing to risk present expenditure items for something new.[67] The most we can conclude from this now is that the items in-

[67] The CAP reform, as mentioned above, is a different issue, due to a number of pressing factors.

dicated in the country papers and in Table 11 can be perceived as preferences, and many of them may occur in the discussions on the future tasks of Cohesion Policy.

Regarding the preferred size of the budget, there is no surprise at all: while the net contributors would prefer (or rather, as they word it: only accept) an EU budget of a size equal to or lower than the present one, net beneficiaries would prefer a bigger budget (Spain is currently in an intermediary position). The debate is not a new one, and a further consequence – notably the limited financing for future enlargements – is not a new phenomenon either.

All in all, the country reports confirm certain aspects of our survey results and lead us to the general conclusion that while no systemic breakthrough can be expected from the budget review, progress can be achieved regarding some traditionally major issues, the most important ones being the reform of the CAP and the abolishment of the UK rebate and related rebates. How far these changes – if they happen, of course – will go, depends very much on the political will. This will first be demonstrated during the 2008/2009 budget review, and subsequently concretely proved and further developed during and after the Agenda 2014 negotiations.

Table 11 Summary of country positions on top EU budget issues

Issues	Germany	France	UK	Sweden	Spain	Poland	Hungary	Bulgaria
Introduction of an EU tax	No	No	No	No	Not against in principle – but not to pay for enlargement	No official position yet; probably open for discussion	In principle ready to negotiate any EU tax	Ready to negotiate any indirect EU tax
UK rebate and related rebates	Abolish/ General Correction Mechanism	Abolish	Maintain/ Reform only parallel with CAP reform	General Correction Mechanism	Reform/Abolish	Abolish	Abolish	Reform of the present system rather than a generalised correction mechanism
CAP	Reform; national co-financing of direct payments	Maintain; increasing openness for reform	Abolish/ reform	Abolish/ reform	Reform/ abolish	Maintain; increasing openness for reform if equal competition conditions for all EU producers ensured; no re-nationalisation	Increasing openness for reform	Openness for reform
Cohesion Policy	Concentrate on the neediest regions; more emphasis on Lisbon targets	Concentrate on Objective 1 regions in the EU-27; bring objectives into balance; broaden funds' competence	Significant reduction of current EU funding	Concentrate on neediest Member States; coherence ensured to avoid counteraction between policy areas	Increased concentration necessary for higher efficiency	Maintain; no renationalisation; concentrate on Objective 1 areas	The country's share to be kept high – at least for the next Financial Framework	Important; to be kept at present level and to be made more efficient

Issues	Germany	France	UK	Sweden	Spain	Poland	Hungary	Bulgaria
New or increasing expenditure items proposed	Lisbon objectives	Lisbon objectives; Education and youth; Security and justice	R&D, CFSP	Lisbon objectives; Justice and Home Affairs; safeguarding peace, democracy and human rights. However, any new expenditure item only as a result of CAP and Cohesion Policy reform (reduction)	Industrial policy, social and employment policy, defence, EU diplomatic corps	European Neighbourhood Policy; Globalisation, energy, sustainable development	A defensive position: preserve existing policies, but openness to many ideas, e.g. energy policy; R&D policy; innovation; education; social policy; employment policy; health policy; and migration policy	International cross-border projects in physical infrastructure
Budget size	Max 1% of EU GNI	Max 1% of EU GNI	Max 1% of EU GNI	Max 1% of EU GNI	Around 1% of EU GNI	At least 1% of EU GNI	At least 1% of EU GNI	At least 1% of EU GNI

Source: country papers