

EU budget talks reveal mounting European conflicts

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After thirty hours of marathon negotiations, European Union government leaders at a late night meeting on December 16 agreed on an EU budget for 2007 to 2013.

It had appeared that the EU summit in Brussels would collapse over the budget issue, as had the summit held six months previously. At that time a budget proposal made by the Luxembourg council presidency was rejected because the British government refused to concede part of its discount, originally negotiated by British Prime Minister Margaret Thatcher in 1984.

In the second half of this year, Great Britain took over the rotating council presidency and tried to implement a draft budget based on its own agenda.

Prime Minister Tony Blair said he was prepared to accept a small reduction in the British discount in exchange for cuts in EU farm subsidies (which constitute over 40 percent of the total expenditure of the European Union), reduced payments to the new EU members from Eastern Europe, and a reduced overall budget. His plan met with bitter resistance from France, which is particularly dependent on EU farm subsidies, and from the new Eastern European member states, which had been promised the funds targeted by Blair.

Failure to strike a deal at last week's Brussels summit would have paralyzed the European Union. Following the rejection of the European draft constitution by French and Dutch voters in the spring of this year, a drawn-out debate over the budget would have brought EU institutions to a standstill.

Neither Blair nor French President Jacques Chirac stood to profit from such an outcome. Blair, who had proclaimed his plans for a thorough reform of the European Union at the start of the British council presidency, isolated himself by stubbornly clinging to the British discount. He alienated his closest allies, the new member states in Eastern Europe, which had firmly backed Great Britain and the US in the Iraq war. For his part, Chirac regards a strong European Union as an indispensable element of French foreign policy.

Under these circumstances, it was left to German Chancellor Angela Merkel to mediate between Blair and

Chirac and broker a compromise. After Merkel conceded a small part of the EU subsidies planned for East Germany in favor of Poland, the Polish government declared its agreement to the German-backed deal.

The German chancellor was heaped with praise for her role as mediator by those taking part in the summit and the international press. The press agency Reuters announced that Merkel, who was participating for the first time at a European Union summit, had "established herself as an impressive new force on the European stage." Polish Prime Minister Kazimierz Marcinkiewicz was even more effusive, describing her as the "summit angel."

In the cold light of day, however, the negotiated compromise turns out to be very modest indeed. Some relatively small sums of money were shifted about, without resolving any of the fundamental problems besetting the European Union.

It was agreed that the 25 member states transfer a total sum of 862 billion euros to the European Union treasury between 2007 and 2013—somewhat more than the sum originally suggested by Great Britain. This total corresponds to one percent of European gross national income and is far less than the 1.2 per cent which had at first been demanded by the European Union commission. On an annual basis, the European Union budget amounts to 123 billion euros, roughly half the German national budget.

Blair made the largest financial concession—2.5 billion euros. After originally offering to reduce the British discount by 8 billion euros, he increased this sum in Brussels to 10.5 billion. This amount is to be spread over a period of seven years, meaning the compromise will cost Britain an extra 360 million euros per year. If one considers that the British government currently spends over 5 billion euros annually just for its prosecution of the Iraq war, it becomes clear that this amount is not particularly high.

For his part, Chirac declared he was prepared to look again at agrarian expenditures in 2008. Up to now he has insisted that such expenditures were fixed by earlier resolutions until 2013. Since any change requires the unanimous approval of

member states, no restructuring of agricultural subsidies is possible without French agreement.

A number of commentators made the point that this compromise had solved nothing. The German European Union commissioner, Günter Verheugen, remarked that the crisis had not yet been resolved.

The German news magazine *Der Spiegel* wrote that the financing of the EU had been secured. “However, this is all. Reorganization of the European Union budget with its continually expanding farm subsidies: only at the beginning of 2014. Common economic policy for all 25 member states: undetectable, even in outline. Extension of the European Union: unbridgeable differences of opinion. Common security and defense policy: standstill. European constitution: perplexity.”

The French daily *Le Monde* declared that fundamental reforms “had been put back to later,” but it was nevertheless now possible to turn again to “other tasks.” Similarly, the German daily *Die Welt* wrote: “After the summit, the reform of European Union finances, farm subsidies, and the end of the British discount have not been dealt with. Nevertheless, the European Union now has some room for maneuver once again...”

In other words, the Brussels summit was able to prevent a complete breakdown, but was unable to deal with any of the fundamental causes for the ailments besetting the EU.

The squabbling and quibbling in Brussels are symptomatic of the state of the European Union. Under increasing internal and foreign pressure, national egoistic interests are increasingly coming to the fore. Little remains of the declarations at former summits that Europe would develop into the most modern and efficient economic player in the world. Instead, the European Union is threatened with paralysis over a controversy amounting to a few hundred million euros.

Centrifugal tendencies are continuing to increase. The German press drew the conclusion from months of conflict over the budget and Merkel’s success as mediator that Germany should give less consideration to its European “partners” and seize the initiative to develop a core Europe led by Germany.

Last Monday, the *Süddeutsche Zeitung* published a commentary entitled “Things Go Better Without the British,” accusing the British government of “stubbornly following only its national interests.” The commentary concluded: “All that remains is to make further European calculations without the British.”

The newspaper declared that the German government was called upon to seize the initiative: “Now that Germany has a stable government again, it is called upon to provide the impetus for a new European movement... What is necessary

to put Europe on track is a strong force which can combine many small forces. With her impressive stance at the European Union summit, Angela Merkel has awakened expectations which she should attempt to justify.”

Belgian Prime Minister Guy Verhofstadt has drawn up a “manifesto” for a core Europe, which, according to *Der Spiegel*, is being discussed at the highest government levels within the European Union: “A club inside the club is to develop, a close union of a few states which advances the concept of Europe... The core is to be formed by a closely knit group, ‘a kind of United States of Europe.’”

The rest, who are not so keen on integration, will constitute themselves in a loose federation, which Verhofstadt has baptized an “organization of European states.” *Der Spiegel* goes on to say that Verhofstadt’s analysis has met with the agreement of Chirac and Merkel.

For millions of Europeans, the European Union is nothing less than a pseudonym for neo-liberal economic and social policies that call for the merciless subordination of all aspects of social life to the dictates of the “free market” and profit. This was amply demonstrated by the huge no-votes on the EU constitution in France and the Netherlands. Now, in the name of the “concept of Europe,” the internal contradictions that led to two world wars in the last century are once again growing throughout Europe. The attempt to bring Europe “on course” by a “strong force” (Germany) will inevitably encounter resistance from other European governments and serve to exacerbate conflicts within the continent.



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