

European Union budget talks deadlock

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Sharp conflicts emerged this week in discussions over the European Union's (EU) budget. The negotiation of a new EU budget every seven years is regularly characterised by nationalist grandstanding, but this time tensions between European member states are particularly pronounced.

EU leaders began their summit meeting at 8pm Thursday in Brussels but failed to reach an agreement. Further talks are scheduled on Friday and, if necessary, over the weekend.

The run-up to the Thursday summit saw considerable wrangling between member states over the budget, which must be agreed unanimously. It was €127 billion (US\$163.6 billion) for 2011, spent on farm subsidies (44 percent), development aid for poorer EU regions (33 percent), research (8.5 percent), and administrative costs (6 percent). Three-quarters of the funds were paid by European national governments, while the remainder come from sales tax and customs receipts.

The European Commission originally proposed a small increase in the EU budget for the period 2014 to 2020 to a total of just over €1 trillion. This proposal was then supported by the European Parliament and those 17 countries, mainly from southern and eastern Europe, which are net recipients of EU funds.

The European Commission proposal was opposed, however, by net contributors to the EU budget, centred on a core of northern European countries, notably Germany, the Netherlands and Finland. These countries argued against any increase in the EU budget and demanded it be limited to one percent of the EU's economy, or €960 billion.

Opposition to both the European Commission

proposal and the German stance came from the British Premier David Cameron. Cameron came to Brussels with a mandate from the British parliament to insist on budget cuts, after a core of deputies from Cameron's Conservative party joined ranks with the opposition Labour Party to demand reductions in the EU budget.

At the start of this week, Cameron called for the new EU budget to be frozen at the level of 2011 plus allowances for inflation. This would amount to a cut of about €200 billion compared to the commission plan. Should the rest of Europe not comply, Cameron has threatened to use his veto and scupper the EU budget altogether.

Prior to the meeting Thursday evening, European council president Herman Van Rompuy put forward a proposal—widely interpreted as a concession to the British position—for a budget significantly under the €1 trillion limit. Cameron immediately responded by declaring that he would reject Van Rompuy's plan because it involved a cut in Britain's special rebate. The British rebate, a reduction in Britain's contribution to EU funding, was first negotiated by former Prime Minister Margaret Thatcher in 1984.

The sharp antagonisms between EU member states evident in Brussels reflect the tectonic shifts in European politics after four years of devastating austerity policies pursued after the global economic crisis.

After implementing a series of harsh austerity measures demanded by the European Union, many southern and eastern European countries are already in dire economic straits and plagued by high unemployment. In the run-up to the summit, Spain argued for more funds from the EU to counter its

soaring unemployment rate. Recession-hit Italy declared that its contribution to the EU budget is too high.

Hungary has complained that it is losing out on funds because, due to austerity, its GDP has shrunk in recent years and it has therefore hit a GDP-linked ceiling for subsidies. All of these countries support an increase in the EU budget and increases in their own contribution.

Having led the campaign for the implementation of ferocious budget cuts in Greece, Spain and Italy, Germany is determined not to make any concessions. Just as Berlin has refused to make fresh funds available for Greece, now in its fifth year of recession, it is also opposed to any increase in the EU budget which could benefit the ailing economies of southern and eastern Europe.

In a discussion in the German parliament on Wednesday, German Chancellor Angela Merkel declared that she was prepared to drag out the EU budget talks to next year to get an acceptable deal. Another significant fault line in this year's talks is between Germany and France. In previous years, the two countries were usually able to form a common bloc before budget negotiations started. This time around Paris has declared its displeasure with proposals to trim the EU budget by cuts to agricultural and regional subsidies, which would hit French farmers. The most significant split, however, is the growing divide between Great Britain and the rest of Europe. Britain has close economic links with Europe. Nearly 50 percent of British trade, involving millions of jobs, goes to the European Union and the countries' banks are also heavily exposed to Europe. Nevertheless, an influential wing in British politics argues for disengagement from the EU, including a so-called "Brexit" option—i.e., British withdrawal from the EU.

While Cameron has repeatedly stated that a collapse of the euro would have devastating consequences for British capitalism, his own political trajectory has been one of adapting to right-wing anti-EU sentiment.

Recent months have witnessed an escalation in economic conflicts between Britain and the rest of

Europe. The hub of financial interests in Britain, the City of London, has waged a fierce campaign against EU proposals for regulation of the European banking industry.

Differences between Britain and leading states on the European continent flared up most recently when the proposal by the British armaments corporation BAE to merge with the Franco-German aerospace firm EADS was scuppered a few months ago—largely due to opposition from German Chancellor Angela Merkel.

At the same time, popular support for the EU has slumped in Britain and throughout Europe. Workers increasingly associate the European Union—quite correctly—with austerity, unemployment and unstinting attacks on workers' social rights.

Now chauvinist forces in Britain, including the trade unions and the Labour party, are seeking to appeal to popular anti-EU sentiment along right-wing lines, to divert attention from their role in precipitating the country's current social crisis.

Those European politicians arguing for an increase in the EU budget, such as the European parliament president Martin Schultz, declare that the purpose of the budget is to assist countries in need and create jobs.

Such claims are hypocritical and false. In order to secure the profits of the financial elite, the European parliament and European Commission have implemented the biggest attacks on workers' incomes and rights since the 1930s, in Greece and beyond.



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