

Strategic Advisory Forum

1st Meeting – 14.03.2018

// Short introduction to the political and economic policy debate

Fabian Zuleeg

Chief Executive, European Policy Centre (EPC)



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The post-2020 Multiannual Financial Framework (MFF)

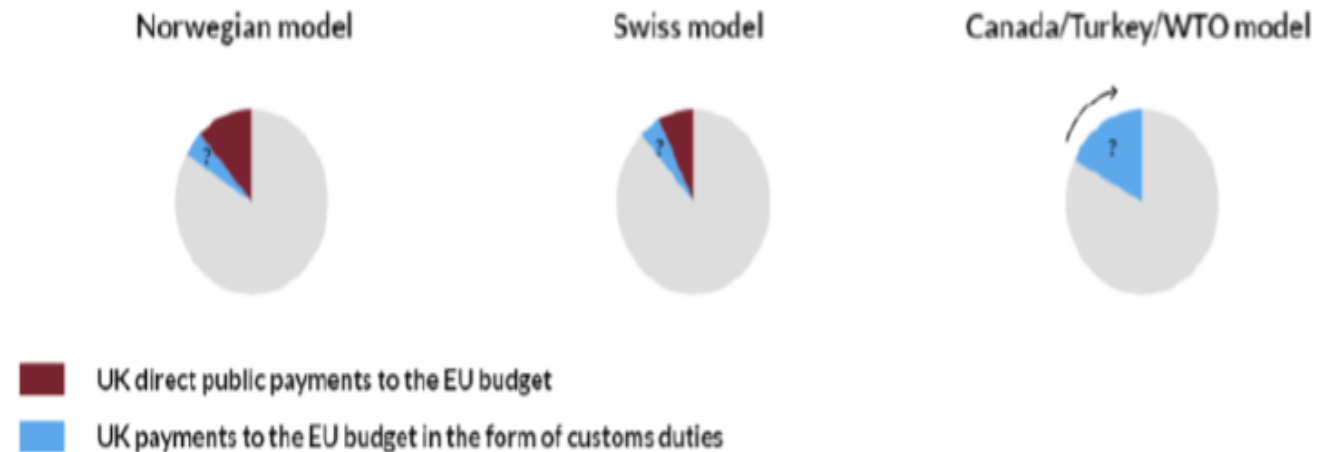


The departure of the UK from the EU (1)

- Brexit risks unbalancing the EU budget
- Simplified estimate: permanent shortfall of 10.2 billion Euros p.a. (Haas & Rubio, 2017)

Brexit gap will depend on the nature of the future relationship

UK potential gross contribution to the EU budget under different models (in comparison to the sum of current UK contribution and rebate)

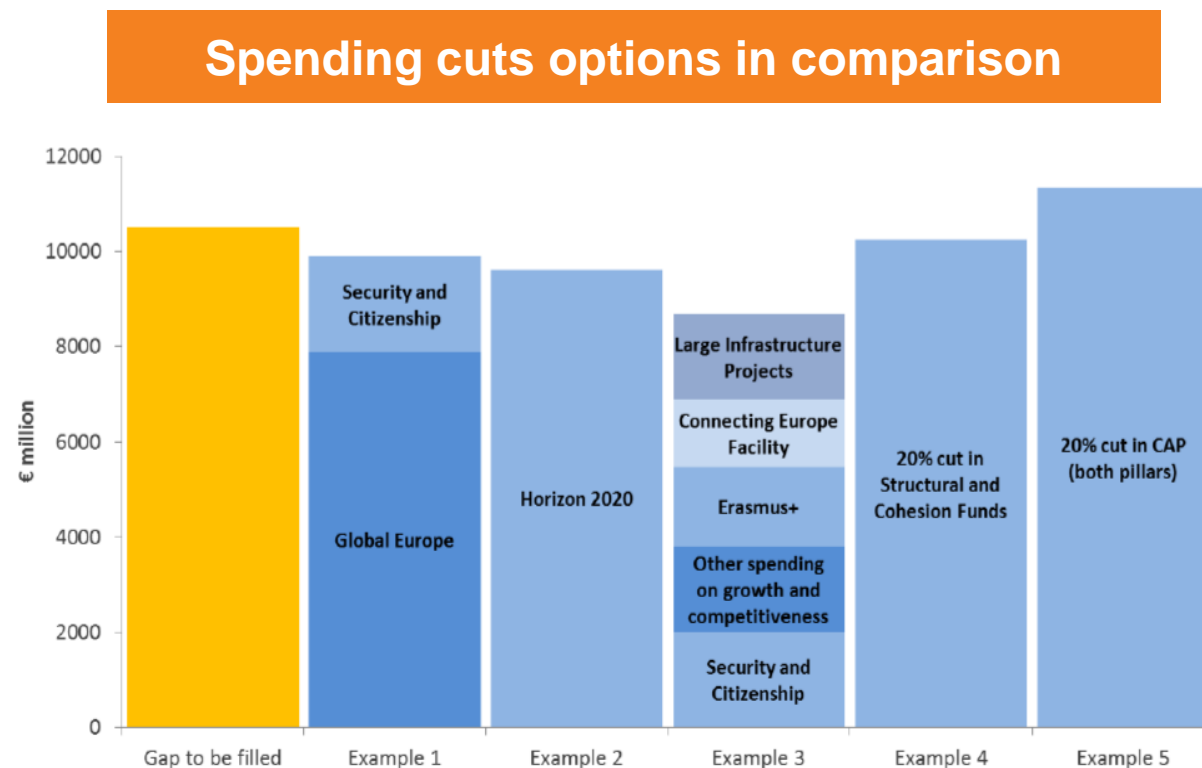


Source: Ewa Chomicz, "EU budget vs Brexit – in search of new status quo", European Policy Centre (EPC), February 2017



The departure of the UK from the EU (2)

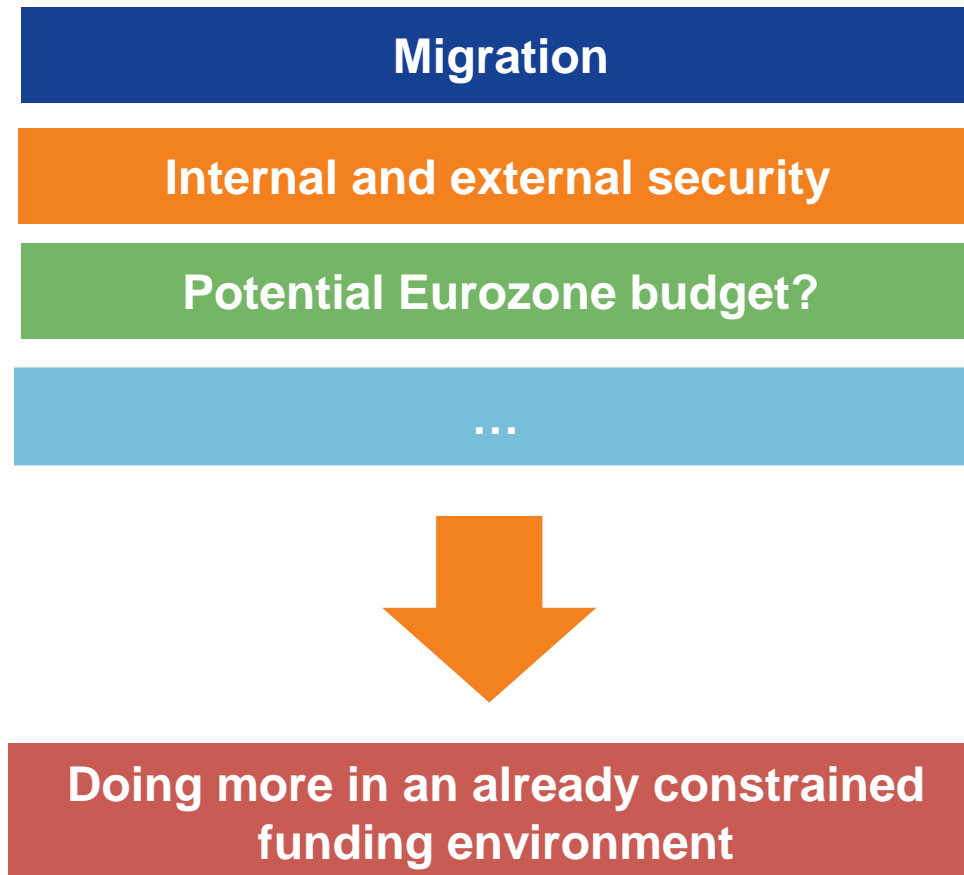
- Net contributors most affected
 - MS direct contributions to EU budget calculated on GNI basis
 - ‘Rebate on the rebate’
 - Germany, Austria, Sweden, The Netherlands
- Main spending areas under higher pressure
 - Cohesion Policy, CAP portrayed as ‘traditional policies’



Source: Haas, J. and Rubio, E. (2017), *Brexit and the EU budget: Threat or Opportunity*, Jacques Delors Institute, Policy Paper 183



New spending pressures



The positions of the Member States and the European Institutions (1)

- Spain and Eastern European member states declared their intention to increase their contribution
 - aim to cushion the cuts to Cohesion and CAP spending
- Finnish Prime Minister Juha Sipilä is in favour of a limited budget increase. He suggested that expenditure could increase to up to 1.1%.
- Germany, the bloc's largest contributor, accepts that it would add more money to the EU budget as part of the coalition agreement reached between Chancellor Angela Merkel's CDU/CSU with the Social Democrats



The positions of the Member States and the European Institutions (2)

- The European Parliament would like to see the post-2020 expenditure to increase from 1% of the EU's gross national income to 1.3%
- The European Commission would like to see the next seven-year budget to be between 1.1% and 1.2% of the EU's gross national income
- Net contributors such as Netherlands, Austria, Sweden and Denmark oppose increasing the EU budget
 - e.g. Dutch Prime Minister Mark Rutte wants the EU budget to be lower after the UK leaves the bloc



Likely Outcome

- *Status quo* bias
- Effectively large units in traditional spending areas
- Haircut principle



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New political environment



The state of play (1)

- Greater attention is being given to economic and social inequalities between member states and regions at the European and national level
- Rise of populism and anti-European movements across Europe
- New 'openness debate' and the rise of illiberal democracies in Europe (e.g. debate on key values, protectionism, inward-looking Europe, more inclined to oppose globalisation, trade, migration etc.)



The state of play (2)

- Re-enforcing new and old divisions across Europe (Euro vs. non-Euro countries, East vs. West etc.)
- Unfinished business with the economic governance of the EU (e.g. future of the European Semester, Eurozone budget, new budgetary instruments etc.)



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The implications of the political and economic policy debate



Four implications

(1) Open but protective Europe

(2) Responsibility vs. solidarity

(3) Increase in conditionalities across the programmes of the next EU budget

(4) Shift from Eastern to Southern Europe



Implications for the project

- Cohesion Policy is under extreme pressure
 - asking for more with less, more objectives but unclear what the actual focus is
- The Territorial dimension does not feature prominently in the debate
 - understanding of what it is and what it is asking to do is very low
- But factors linked to geography do feature in the debate
 - e.g. left behind regions
 - e.g. differential impact of globalisation & industrial transformation
 - e.g. social disparities / inequalities between & within countries



How to square the circle?

// Thank you

Fabian Zuleeg, Chief Executive, European Policy Centre (EPC)

This presentation will be made available after the meeting.