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The EU budget's bad start concerns the euro area as well

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Five Bullets 3/2020

LUISS



February 28, 2020

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- February's special Council meeting on the 2021-2027 EU budget ended without an agreement. When EU leaders left Brussels after 30 hours of negotiations, there was no timeline set for further talks. Not even a preliminary agreement regarding the approximate size of the Multiannual Financial Framework (MFF) could be reached. An agreement will hardly be found before the last-minute Summit at the end of the year. Until then, any advancement in other forms of solidarity, first of all tighter cooperation at the euro-area level, remains very unlikely in 2020.
- The EU budget should serve the interests of the EU as a whole, responding to common challenges, climate change, common health provisions, digitalization of the economy, or strategic autonomy, rather than being the EU's fiscal reallocation instrument for national electorates. In fact, over the last few months, positions have hardened between some of the major net contributors (the "frugal four" + Germany), who insist on keeping the budget at 1% of EU's GDP, and the 17 "friends of Cohesion" – countries that reject cuts to traditional spending lines.
- The Council President had hoped to break the deadlock by proposing a compromise at 1.074% of GDP, cutting the overall size of the budget compared to the Commission's proposal while simultaneously softening the impact on regional and agriculture expenditure. The consequence would have been the downsizing of the resources dedicated to new policy priorities. Arguably the worst possible outcome.
- Not even this mediocre solution could grant that leaders in the Council unanimously agree on the budget proposal. Moreover, the European Parliament (which is fragmented along new political lines) should also provide approval. Overall, it is hard to envisage a reasonable agreement in the coming months, or at least before December 2020.
- In the coming months, the euro area might be sailing choppy waters. A recession should not be excluded, and it could not be confronted with any new instruments. The Eurozone budget is indeed a new item in the budget negotiations upon which leaders agreed last autumn. Due to its heavily scaled-down size (around EUR 17bn over seven years) compared to original proposals, it is unlikely to be among the most controversial issues. However, the lack of solidarity and common vision on future European priorities implies that all reforms regarding the euro area and all common interventions in case of a recession are likely to be postponed to 2021.