EU Leaders Meet to Hammer Out Budget

Leaders of European Union nations met for a two-day summit in Brussels on February 7, in an attempt to reach a seven-year spending agreement. Representatives from the EU states failed to reach an agreement at their last budget summit in November.

BBC News reported that U.K. Prime Minister David Cameron (shown) made a statement that he will not accept any budget agreement that does not include further spending cuts, saying that the figures being proposed "need to come down. And if they don't… there won't be a deal."

A report from Bloomberg today provided figures for Prime Minister Cameron's proposed seven-year package, which seeks cuts of 973 billion euros ($1.3 trillion). The report noted, "The blueprint was trimmed once, from 1.047 trillion euros in November, and is below the 994 billion euros spent in the budget period expiring this year."

Bloomberg also noted that the budget negotiations pitted the more prosperous countries of northern Europe, which seek budget cuts, against the poorer southern and eastern European nations that do not want to see their subsidies reduced. French President François Hollande was seen as somewhere in the middle and as one who does not oppose budget cuts — so long as they don't come from the farming budget, which benefits France disproportionately.

"I realize the need to economize, but we don't want to weaken the economy," Hollande was quoted by Bloomberg's James G. Neuger on the way into the summit. "It's possible to have an accord. If some aren't being reasonable, I'll try to reason with them, but only up to a certain point."

Neuger wrote that any agreement reached at the summit will require the approval of the European Parliament, which gained greater powers over spending in a 2009 overhaul of EU treaties.

On the eve of the summit, the *Irish Times* quoted Taoiseach (Prime Minister) Enda Kenny, who acknowledged that there would be "tough negotiations" during the summit, but urged the EU heads of states to reach a compromise on the budget: "I believe that there is a shared appreciation that we need to close the deal this week."

Kenny added that a key point to be worked out was the EU's system of rebates:

> "This involves the very difficult and sensitive question of rebates," he said. His comments echoed those of French president François Hollande on Tuesday, who raised the question of EU rebates in a barely-veiled reference to Britain.

"There are those who want to see cuts," he said, "[and] others — possibly the same — who want guarantees on their own rebate."

We provided details about the EU's rebate system in our previous report about EU budget negotiations, "EU Leaders Work on Seven-year Budget," last November 23, noting that the rebate is calculated as approximately two-thirds of the amount by which U.K. payments into the EU exceed EU expenditures returning to the U.K. As we quoted Wikipedia:

> The rebate was negotiated by UK Prime Minister Margaret Thatcher in 1984. The main reason for the rebate was that a high proportion of the EU budget (at that time 80%, now approximately 41%) is spent on the Common Agricultural Policy (or CAP), which benefits the UK much less than other countries as it has a relatively small farming sector as a proportion of GDP.

An AP report Wednesday quoted European Council President Herman Van Rompuy, who chairs the summit, who said that "for the first time ever — there will be a real terms cut compared to the current budget."

While EU leaders are calling for cuts, members of the EU's parliamentary bureaucracy are offering resistance to reductions of their own budgets.

"How can we imagine that an EU institution can ensure a proper banking union with a budget that is cut by whatever billions in figures we hear here and there?" said Olivier Bailly, the spokesman for the European Commission, the EU's executive body. "At the moment, there is a need for a reality check between the requests that are sent to the Commission, the Council, the Parliament, or the European Central Bank, and the budget, the means, that are given to these institutions to fulfill their commitments vis-a-vis the member states and European citizens."

As the nations on the debit and credit side of the EU budget ledger struggle to protect their own interests, the EU bureaucracy, itself, has fought for its share. The online newspaper Euobserver.com posted an article February 5 reporting that most of the staff at the EU Council I Brussels had gone on strike, just 48 hours before the start of the budget summit.

Seen as a protest against proposed budget cuts at the summit, the trade unions representing the staff said in a statement that if the reductions go through, "[EU] institutions would no longer be able to perform their tasks of designing, drawing up and implementing future policies."

Union spokesman Simon Coates told Euobserver: "The aim is to send a clear signal to the heads of state and government that behind the numbers they might agree at the end of the week, there are real men and women who work here."

An editorial published in the India-based *Economic Times* on February 6, written by German foreign affairs minister Guido Westerwelle expressed concern that the inability to formulate a common economic policy would threaten the unity of the EU. Britain in particular, was seen as a weak link.

Westerwelle referenced David Cameron's January 23 speech, in which the British prime minister demanded "a resetting of the EU, to increase deregulation and competition and enhance democratic participation. He also committed to a referendum in 2017 in which Britons would be asked whether they should stay in the EU or get out."

Continuing, the German official warned:

> It is easy to tear down the European house, but much more difficult to rebuild it after the fact.
>
> "David Cameron is right: if Britain left the EU, it would be a one-way ticket, not a return. We must not put at risk the common ground we have achieved in more than half a century.

As one antidote to a weakening EU that he fears may disintegrate, Westerwelle called for strengthening the growing regional government, writing: "We need to take a tougher stance, for example, when it comes to calling upon member-states to implement necessary structural reforms. There is no way around it; we need to make the economic and monetary union stronger."

National sovereignty, apparently, is something to be weakened if it gets in the way of a stronger EU.

Related article: EU Leaders Work on Seven-year Budget