EU Leaders Work on Seven-year Budget

The European Council meeting in which EU leaders will attempt to reach an agreement on the multi-annual financial framework (MFF) for 2014-2020 began in Brussels on November 22 and EU leaders continue in their struggle to find common ground to set a budget.

BBC News reported that UK Prime Minister David Cameron told reporters in Brussels on Friday that this was not “a time for tinkering” with the EU’s 2014-2020 budget, and “unaffordable spending” should be cut. “It isn’t the time for moving money from one part of the budget to another,” Cameron said. Cuts are “what’s happening at home and that’s what needs to happen here.”

Cameron was reacting to a proposal from summit chairman Herman Van Rompuy (who is also President of the European Council and a former prime minister of Belgium) that keeps the spending ceiling in place but reallocates funds.

During the early stages of the summit, Cameron met with French President François Hollande and Dutch Prime Minister Mark Rutte. Citing German Chancellor Angela Merkel’s statement that she doubts the summit will reach a deal and President Hollande’s warning that an agreement might not be possible, the BBC’s Matthew Price reported from Brussels that “the chances of success do not look great.”

A Reuters news report noted that Cameron seeks a real-terms freeze in EU spending between 2014 and 2020, and also is pressuring the EU to cut its salary expenses by 10 percent, raise EU officials’ retirement age from 63 to 68, and reduce their generous pensions benefits — measures that would cut about €6 billion from the seven-year budget, largely a symbolic reduction. The report noted that Cameron’s position is geared to capitalize on an increasing anti-EU mood in Britain, where even the media has become skeptical of the EU and has portrayed the budding regional government as a wasteful bureaucracy overloaded with staff receiving overly generous compensation packages. Reuters notes that Cameron’s stance may also appease the anti-EU camp in his ruling Conservative Party.

A more detailed financial analysis of the EU budget negotiations from Bloomberg said that the spending plan under discussion represents about one percent of the EU-wide gross domestic product, which is small in comparison to the average 50 percent of GDP that member states spend internally. However, in tough economic times, there is political pressure for European nations to cut their contributions to the EU. Bloomberg notes:

> Wealthier countries such as Germany, the U.K., Denmark, Sweden and the Netherlands have banded together to cut what they pay in to the budget, pounding away at the original proposal of 1.033 trillion euros ($1.3 trillion) that came out in mid-2011.

Early negotiations have already reduced the proposed EU budget to about €950 billion. (The euro is currently valued at about $1.29.)

European Parliament President Martin Schulz, in a move to convince the wealthier countries to pay more into the EU budget, asserted that it is less expensive for them to promote European projects, since contracts in Latvia or Slovenia go to companies in places such as Germany and Sweden, reported Bloomberg.

"Every euro invested by the EU attracts an average of between 2 and 4 euros in additional investment," Schulz told the leaders. "The EU budget is not a zero-sum game in which one country wins what another loses. Synergies are generated which benefit the net contributors as well."

An article in the *Financial Times* also reports on Prime Minister Cameron's efforts to maintain Britain's rebate on the UK's contribution to the EU budget, which amounts to €3.5 billion (approximately $4.5 billion) annually.

An article in Wikipedia explains that the rebate is calculated as approximately two-thirds of the amount by which UK payments into the EU exceed EU expenditure returning to the UK. The article notes:

> 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.

The *Financial Times* reported that EU Council President Van Rompuy had initially sought a cut in Britain's rebate that would have reduced its value by about one third, but was expected to drop that demand. The *Times* noted:

> As usual the most problematic relationship is between Britain and France, with Mr Cameron determined to defend the rebate and to achieve further cuts in farm subsidies, with President François Hollande taking precisely the opposite stance.

A *Wall Street Journal* article about the EU budget negotiations reported: "Most of the EU's billions go to farm subsidies and to regional redistribution programs known as 'cohesion' and 'structural' funds." France is the largest recipient of the EU's farm subsidies and French Prime Minister Jean-Marc Ayrault said last weekend, "There can be no question of withdrawing even one euro from the Common Agricultural Policy."

The problems inherent in a political union such as the EU, with each nation's sovereignty and best interests compromised through negotiation and subject to administration by a supra-national bureaucracy, should serve as warning against the establishment of a similar union in North America. Many excellent articles warning about the perils of a North American Union have been published by *The New American*, links to some of which are listed below under "related articles."

That plans to establish a clone of the EU in North America are much more than theoretical can be demonstrated by a series of events that have taken place in recent years.

The most concrete and visible prelude to NAU was the the North American Free Trade Agreement (NAFTA) — a pact signed by the governments of Canada, Mexico, and the United States, which created a trilateral trade bloc in North America. The agreement came into force on January 1, 1994. Though promoted as a so-called free-trade agreement, NAFTA has little to do with free trade, but much to do with economic consolidation and eventual political union, in the manner of the European Union.

Proposals to a regional government similar to the EU have been outlined in documents such as the Council on Foreign Relations (CFR) 2005 report "Building a North American Community," whose authors include such influential Americans as Heidi Cruz (Economic Director for the Western Hemisphere at the National Security Council under Condoleezza Rice), Richard Falkenrath (President George W. Bush's Deputy Homeland Security Adviser), and Carla Hills (a former Assistant Attorney General and U.S. Trade Representative under Presidents Ford and George H.W. Bush).

The increasing anti-EU sentiment in Britain is an indication of widespread buyer's remorse in the aftermath of Britain's surrender of part of its national sovereignty. As internationalists continue to work to establish a similar regional government in North America, "Let the buyer beware" is a maxim to remember.

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