

What can workers in Europe expect from a post-Brexit EU Budget that declares itself to be more social, more innovative and more flexible?

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THREE INITIAL ANSWERS

1. Not a lot...
2. No easy way to overcome what has been called “the capability-expectations gap”
3. Main changes will be of presentation rather than real substance

MOST CONTENTIOUS ISSUES

- Scale of budget: the perennial dispute
 - Even Monti HLG doubtful about it increasing
 - ...though Juncker (and Macron) more positive
- Future application of conditionality
 - The delicate links to macroeconomic governance
 - Should regions be punished for sins of national governments?
- Future role for “financial instruments”?
 - Juncker plan and other
- Change in own resources
 - Legitimation considerations
- Scope for complementary fiscal capacity (EU or EZ)

THE BUDGET TRILEMMA

MOLLIFYING NET
CONTRIBUTORS

PRESERVING
CURRENT FLOWS
FROM BUDGET

MEETING
DEMANDS FOR
NEW SPENDING



INCOMPATIBLE EXPECTATIONS?

“Either we pursue the European Union's ambitions in the strict framework of the existing budget, or we increase the European Union's budgetary capacity so that it might better reach its ambitions. I am for the second option” J.-C. JUNCKER

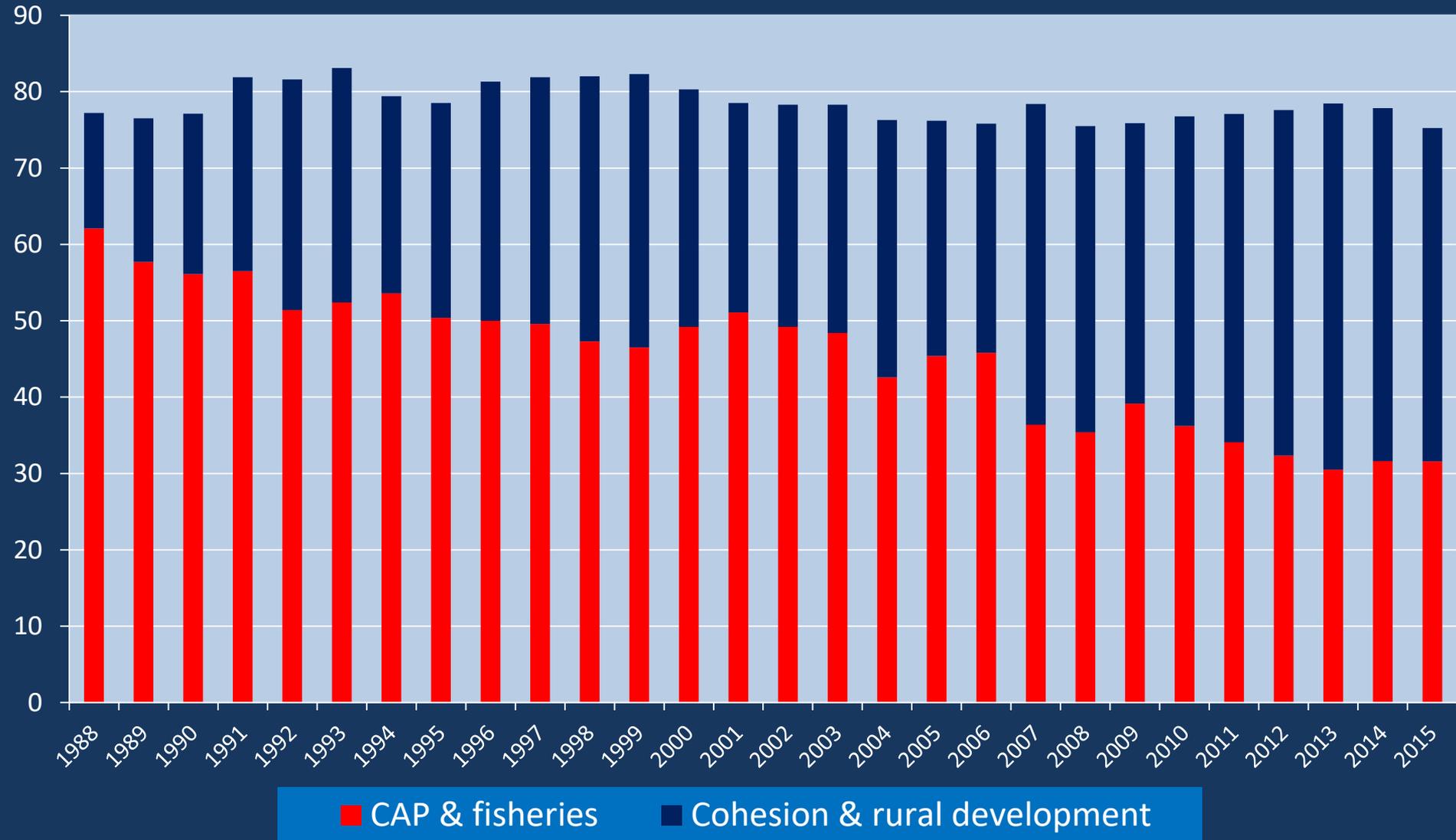
“It is important that the budget is reduced when the British leave the EU. It is not reasonable that we, and other Member States, should have to pay more” M. ANDERSSON

“The important thing is what Denmark has to pay. And I don't think we should pay one krone more than we do now” K. JENSEN

“nous avons besoin d'un budget plus fort au cœur de l'Europe, au cœur de la zone euro”

“I believe in a much more ambitious European budget in which France will contribute its share, promoting the strength of our historical policies but also the new policies” E. MACRON

PERSISTENCE OF SPENDING

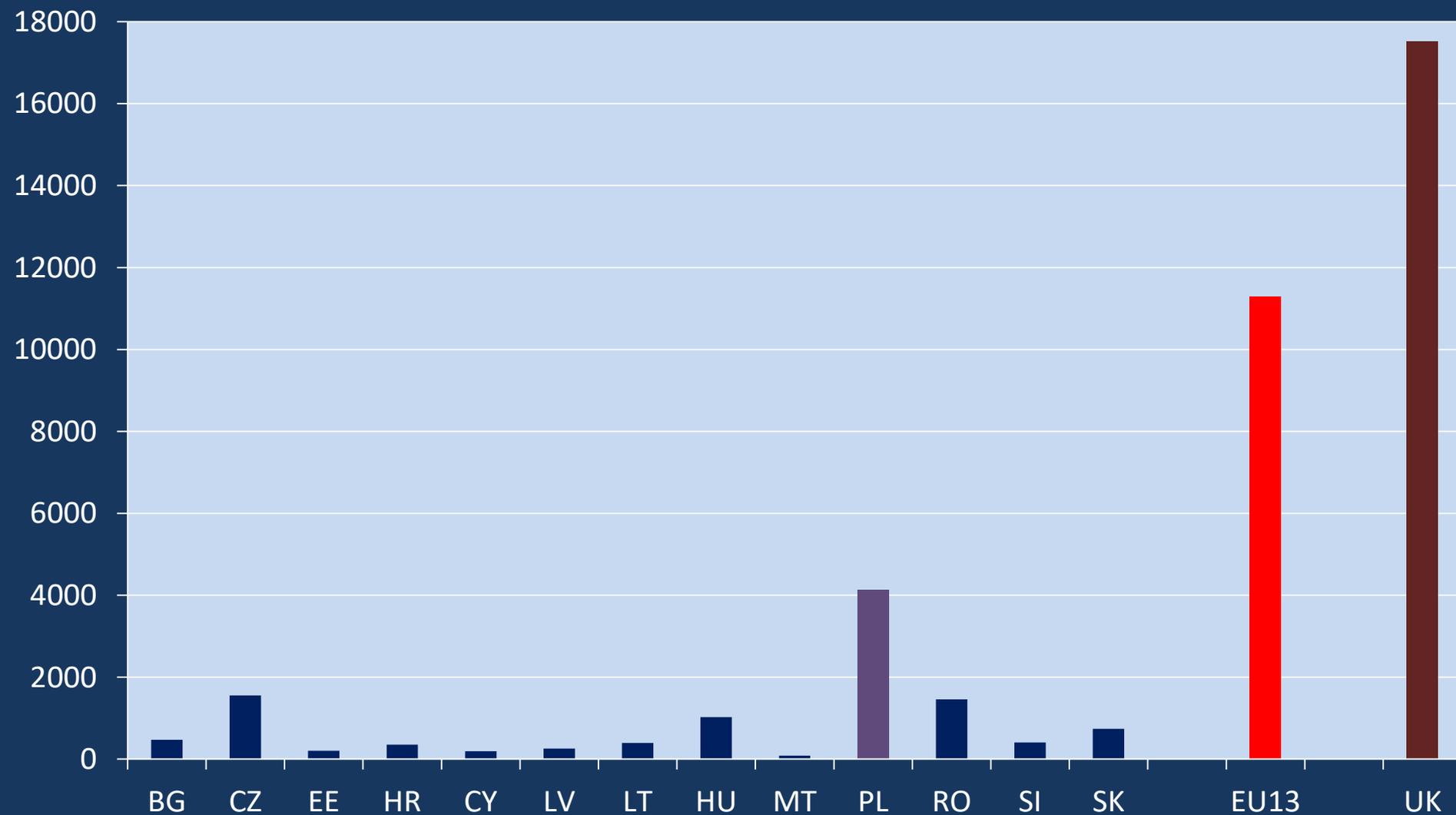


WHAT BREXIT CHANGES

- Most obviously, the EU's receipts: €10-12b gap
 - Not strictly a problem of revenue raising
 - Because of how own resources system works
 - But evident political challenge
 - Reactions of Danes, Swedes and other net contributors
- May (only may) make it easier to end 'corrections'
 - Position could worsen for other net contributors
- New balances of support for specific policies
 - Might push others to emerge from the shadows...

WHO PAYS HOW MUCH INTO THE EU?

Average 2013-2015, million euros



THE GOOD(?) NEWS ABOUT BREXIT

- Assuming some sort of deal:
 - The “divorce bill” of €40-50 billion
 - May be spread over many years
 - But means 2-3 years of UK net contribution to next MFF
 - Prospect of UK contributing to some EU spending
 - Perhaps a balanced payment into research budget
 - More if a future deal edges closer to “Norway”
- Indirect pressure on others to contribute more
 - Already accepted by DE and FR?

CHANGING POLITICS?

- Considerable back-tracking from White Paper
 - Barely mentioned in 2018 ‘state of the union’
- Wrangles over future Cohesion Policy
 - Is ESF escaping junior partner status behind ERDF?
 - Politically could matter, but financially still slender
- Momentum from EMU governance reform?
 - The follow-up to Meseberg declaration
 - Reaffirmation in Franco-Spanish Madrid declaration

WHAT, THEN OF SOCIAL AIMS?

- Given prominence in presentation of plans
 - Also in background rhetoric
- Mixed messages on expenditure levels
 - Big increases for managing migration, Erasmus
 - But overall amounts for “social” unlikely to increase
- Not clear how much for other youth initiatives
- ...tougher stages of negotiations still to come
 - Where will the axe fall this time?

CONCLUDING REFLECTIONS

- As always, it will be difficult, messy & acrimonious
 - Odd, really, because the amounts at stake are small
 - Outcome usually a collective disappointment
 - But one which allows all sides to claim some victories
- Brexit will be a complication, but only one of many
 - Expect conditionality to be a tricky battleground
- France & Germany still disagree: plus ça change...
- For those who fear they will lose: relax
 - The status quo has an enduring power
- For those expect much more: well, you can dream...

“Blessed is he who expects nothing,
for he shall never be disappointed”

Alexander Pope, *18th century writer and satirist*