EU BUDGET - THE POLICY OF SHARING THE CAKE

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Abstract. *This paper discusses the EU budget aiming at casting light on the relationship between political and economic matters and on the importance that they function as a mechanism. Somehow the budget could be compared to a barometer showing the political pressure and the level of integration inside the European Union. Discussing the structure of the budget, where the EU money come from and how are the funds distributed afterwards, and also referring to important moments in the historical development of the European Union's budget, the paper emphasizes the same idea of financial matters strong related to the political choices. It argues also, by describing the complexity of the budgetary procedure and the importance of financial control, that the budget is an important interplay between actors, is an important balance of power trying to reach equilibrium and efficiency. The paper also reviews the main issues of the present budgetary debates, the positions taken by European actors, counting their losses and gains, and to which extent their choices are more a national concern or following the European interest, aiming at presenting the actual state of the European Union taking into account both the economic and the political integration. The budget being one of the key elements forming the structure of the big edifice, the European Union, it is of great importance when discussing budgetary matters to have in mind the present context as a whole, determined by issues like the failure of the summit for setting a new budgetary framework, or the rejection of the European Constitution by the citizens of two of its founding members. Though, it is important when discussing the budget, economical matters to put them in a political context and also to see them in the present context.*

Introduction

What does the budget mean? Is the European Union's budget any different from what the common understanding of the notion of budget involves? Is it something more? I would say that thinking about the European Union's budget, besides talking about collecting or spending money, besides talking about revenues and expenses, we also talk about negotiations and compromise. It happens for the discussions to get difficult, it happens for the demands of too different actors to be too incompatible.

As paradoxical as it might seem, discussions over the budget are sometimes ruled by both, the desire to reach a compromise and also the tendency to follow one's own best interests. Discussing the EU budget, all actors involved agree to spend more on boosting growth and competitiveness, they all agree that European Union should support the poorer newcomers to catch up with the European levels, all agree to spend on securing Union's external borders, but at the same time, they all cling to a *juste retour* of the money they spend.

The point I want to make is that a budget like European Union's is an issue not only involving finances or economics, but strongly involving politics. Council President, Luxembourg Prime Minister Jean Claude Juncker was talking about two opposing concepts: "There are those who just want a market and nothing other than a big market, and there are those who want a politically integrated Europe". In my opinion there cannot be drawn a clear demarcation line between a market based Europe and a politically integrated one. Even only a market-based Union is strongly politically rooted. The European Union's budget is also deeply politically rooted and most of the times dealing with European finances is making European policy. In my opinion Europe cannot be defined in one word, it is not only about economics or about politics, it is about society also, and about identity. In a speech to European Parliament held by British Prime Minister Tony Blair, in 23^{rd} of June 2005, he suggested that "there is not some division between the Europe necessary to succeed economically and social Europe. Political Europe and economic Europe do not live in separate rooms. The purpose of social Europe and economic Europe should be to sustain each other."[1]

This idea could be spotted in all what the EU budget concerns, in the structure, in how the funds are raised and how are thay spent, in the procedure of deciding the budget, in the budgetary controll, they all speak about relations pf power among different actors. Isn't the budget a policy? And if we take this idea even further, if we admit thet the EU budget is a policy of sharing the cake, we could say that the whole debate over the budget is more a discussion over whose part is more equal. Isn't it a piece of cake?

The structure of the E.U. BUDGET

If we imagine the E.U. budget as an one euro coin, we could than make of its structure the two sides of this coin. On one side we have, under the keyword: revenues, the answer to the question where do the money come from, while on the other side, as keyword: expenditure stays the explanation of where do the money go. In other words, the structure of the budget comprises of, firstly, how the European Union is financed, and then how and where are these money spent.

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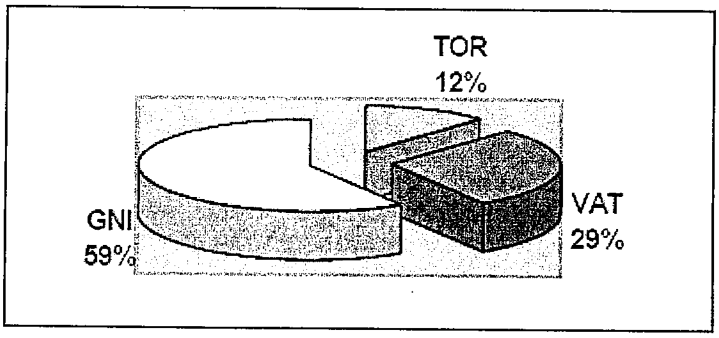
[1] *Tony Blair in a speech in front of EU Parliament, in June 23, 2005, on http://www.number-10.gov.uk/output/Page7714.asp.*

Revenue

As listed in the general statement of the revenue, the revenues include miscellaneous taxes, revenue accruing from the administrative operation of the institutions, interest on late payments and fines and any surpluses from earlier financial years. But the core of the revenues consists in the, so called, "own resources". Under the name of *own resources* are included the *traditional* ones, comprising of agricultural levies on agricultural products imported from outside the European Union and custom duties resulting from the application of the Common Custom Tariff in trading with non-member countries. By the time, due to the lowering of the customs tariffs and the successive enlargements, the *traditional own resources* proved not to be consistent enough to finance the budget, proved not to be sufficient, and therefore being supplemented by other two: the VAT resource and the GNI[1]-based additional resource. The VAT resource is derived from the application of a uniform rate to the VAT assessment base of each Member State, harmonized in accordance with Community rules; while the GNI-based resources provides the remaining of budget founding (reaching in 2000 about half of the total of own resources). The state of the budget revenues was in year 2002, according to Terry Wynn[2], MEP, Chairman of the Committee on Budgets of the European Parliament, 12% belonging to the traditional own resources, 29% to the VAT resource and 59% due to the GNI-based resource.



The tendency observed in what concerns the revenues, according to the same source, is for the GNI-based resource to become increasingly important, judging by the fact that it doubled its share over a period of six years, having amounted to only 30% in 1996. On the other side, the traditional resources show a tendency to decline amplified by the fact that the 10% the Member States were permitted to retain in order to compensate for the collection costs increased after first of January 2001 to

[1] *According to Terry Winn, from the year 2002, the concept of gross national product (GNP) has been replaced by the concept of gross national income (GNI) in the EU budgetary and own resources area. Thus, percentages for years before 2002 relate to the GNP, later ones to the GNI. For example: The EU expenditure ceiling of 1.27% of GNP corresponds to 1.24% of GNI using the new statistical approach.*

[2] *Terry Wynn, "The EU Budget Public Perception and Fact - The European Union - how much does it cost, where does the money go and why is it criticized so much?", on http://www.lufpig.org/pdf/Terry%20Wynn%20%20The%20EU%20Budget%20Public%20Perception%20and%20Fact.pdf.*

25%. This has led to a decrease in the amount of the TOR of 25% between 2001 and 2002, when TOR contributed to the revenues with a share of only 11.9%.

A historical approach of the revenues

In the Community's early days the budgetary system was one based on "membership fee", was a model usually found in traditional international organizations financed exclusively through Member States' contributions. A fundamental change of the budgetary framework came together with the budget treaties of 1970 and 1975. In 1970 the Luxemburg European Council introduced for the first time a system of own resources, giving the Community an autonomous source of revenue and thus increasing its financial independence from transfers effectuated by Member States. The first own resources were customs duties and agricultural levies which were to become known as *traditional own resources* (TOR).

Maybe the most important change brought by the reforms in 1970 was the removing of the budget from direct national control and due to this, strengthening the Community's ability to allocate financial resources according to its independent criteria. The new introduced system of own resources, had as basic principle the idea of applying it to all Member States, regardless of their size, wealth or their ability to pay. Another change in what concerns the administration of the budget was significant amount of power granted to the European Parliament, including[1] the right to increase, reduce, redistribute expenditure (in the area of "non-compulsory"[2] expenditures), to adopt or reject the budget, and to give the Commission annual discharge for its implementation of the budget. The Council of Ministers, although in legislative field it retained the last word, had to share now authority with the European Parliament which created a great source of conflict between the two institutions[3]. The 1975 Treaty brought a third important change in what the budgetary policy is concerned, meaning the creation of the Independent Court of Auditors in charge for enhancing the accountability of the budgetary process and the management of the Community's money.

The European Union's first enlargement[4] cause a loose of balance in budgetary terms bringing in front issues to be solved, like equity, redistribution and the nature of the budget as a regressive one. The following years were governed by intense discussions among the Member States and European institutions over both the issue of revenues and the problem of expenditures, with requests of changing the patterns of contributions and spending priorities. The most eager to bring a change into the distributional policy was the United Kingdom disadvantaged by the budgetary

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1 *According to Brigid Laffan and Michael Shackleton, in Wallace/Wallace: "Policy-Making in the European Union" (4th edition).Oxford 2000, Ch. "The Budget", p. 73.*

2 *It is important to note the distinction between compulsory expenditure (that results directly from Treaty application or from acts adopted on the basis of the Treaty) and non-compulsory expenditure.*

3 *The conflict between the Council of Ministers and the European Parliament will be discussed later in this paper.*

4 *The European Union's first enlargement took place in 1973 when Denmark, Ireland and the United Kingdom joined.*

agreement from 1970s. The so called *UK problem* was raised in a moment when the Community's budget had a serious revenue problem not being able to meet the demands imposed by the expenditures. More than this, another generator of disputes and amplifier of the UK problem was, and apparently is also now on top of the agenda, the agricultural expenditures (reaching a rate of 70% of total spending in 1979) which diminished the possibility of development in other policies. At the same time "the automatic nature of the Common Agricultural Policy (CAP) price regime made it difficult to plan and to control agricultural expenditure in any one year and gave rise to growing inefficiencies with the growth of 'butter and beef mountains' and 'wine lakes'."[1]

Consequently, UK made pressure to start a process of reform in what concerns the CAP, the budgetary discipline and the development of other policies, maybe to start a renegotiation of the terms of accession, and all these on the background of UK being almost on top of the contributors' list, second after Germany. In 1979, the new British Prime Minister, Margaret Thatcher in order to achieve for her country a better balance in terms of costs and gains, demanded a complex rebate system. The British problem was given an *ad hoc* resolution by including it in the *ad hoc* spending programs from 1980 onwards. A resolution on a longer term basis was reached only at the Fontainebleau European Council in June 1984, during the French presidency of the council, when the VAT ceiling was increased from 1 per cent to 1.4 per cent and was established a correlation mechanism for budgetary imbalances which has since applied only to the UK[2]. In this concern the conclusions of the Presidency of the Fontainebleau European Council were: "Expenditure policy is ultimately the essential means of resolving the question of budgetary imbalances. However, it has been decided that any Member State sustaining a budgetary burden which is excessive in relation to its relative prosperity may benefit from a correction at the appropriate time".

Since spending on agriculture was not sufficiently kept under control, and the traditional own resources revenues continued to decline, soon the decisions taken in Fontainebleau proved to be insufficient. As a consequence, it was taken a further step, the ratification of the Single European Act, in 1987, another important phase in the history of the European Union and also in the history of budgetary policy, in this act being included articles on "economic and social cohesion" (Article 130, SEA). Close related to this ratification is the next step taken by the Commission through its proposals of budgetary reform, proposals known as "Delors Package" and comprising the two documents: "Making a success of the Single Act" and "Report on Financing of the Community Budget". The following Brussels agreement in February 1988 was a "classical EC package deal"[3] having as main elements[4]: - an increase in the

[1] *Brigid Laffan and Michael Shackleton, in Wallace/Wallace: "Policy-Making in the European Union" (4th edition). Oxford 2000, Ch. "The Budget", p. 76.*
[2] *According to Terry Wynn, "The EU Budget Public Perception and Fact - The European Union - how much does it cost, where does the money go and why is it criticized so much?", http://www.lufpig.org/pdf/Terry%20Wynn%20-%20The%20EU%20Budget%20Public%20 Perception%20and%20Fact.pdf.*
[3] *Brigid Laffan and Michael Shackleton, in Wallace/Wallace: "Policy-Making in the European Union" (4th edition). Oxford 2000, Ch. "The Budget", p. 79.*
[4] Idem.

financial resources available to the Community, up to a ceiling of 1.2% of GNP by 1992; an extension of the system of "own resources" to include the fourth resource based on the relative wealth of the Member states; tighter and binding budgetary discipline to keep the agricultural expenditure under 74% of the growth in Community GNP; a continuation of the Fontainebleau rebate system through which the UK receives a reduction in its contribution of 66% of the difference between its share of revenue provided and of total allocated expenditure; and, as a last element, a doubling of the financial resources available to the less prosperous areas of the Community. The Delors 1 was an important stage in easing the tensions that were, and still are a common ground of the discussions over the European Union's budget. There were tense arguments on the overall size of the budget, on the commitment of the resources to the poorer regions and on the need to reform and discipline the CAP expenditure. The major gap in these arguments was between the poorer Member States fighting for a larger budget and the paymasters who tended to restrain their expenses.

The important Delors 1 was followed by another package just as important, Delors 2. A similar link as between Delors 1 and the Single European Act was established between Delors 2 and the Treaty on European Union, signed in 1992, the package proposals being launched with the document "From the Single Act to Maastricht and Beyond: The Means to Match our Ambitions". The debates over Delors 2 were as strong as before, the Member States trying paradoxically to reach agreement and to follow their own interests at the same time. The UK was in the center of the discussions the British government aiming at both protecting the system of budgetary rebates and also to diminish the level of expenditure. The Edinburgh agreement from 1992 set a ceiling of 1.27 per cent of Europe's GNP, increasing the revenues from the GNP-based resources, while the VAT resource was going through a decline; the expenditure was divided into six categories each of them with specific annual allocations; the system of raising the revenues was slightly revised, considering the contributive capacity; and the UK secured the maintenance of its abatement mechanism.[1]

All this time, up to 1992, all the Member States, excepting Greece, Spain, Portugal and Ireland registered a raise in the level of their contributions, having France next to Germany and UK as the most significant net contributors to the budget. Consequently the context in which the Delors 2 reforms were discussed was one in which the cohesion countries were pressing for more money, especially in the view of a further monetary union, to the dissatisfaction of the net payers. And, on top of all these, was always the British rebate, a topic always questioned during the negotiations. Doesn't this picture look familiar? Aren't they debating more or less the same issues? And most of all, do these issues have a resolution?

Going further in time, a new own resource decision was to be taken in 1999, at the Berlin European Council, in order to provide the Union with adequate resources for the period 2000 - 2006 while at the same time adhering to strict budgetary discipline. The new change was to create a system "equitable, transparent, cost-effective and

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[1] Ibid.

simple"[1], and based on criteria according to the member States' ability to contribute to the financing of the Union.

The current own resources ceiling of 1.24%, which remained constant since 1999 is comparable to the 1.14% of the GNI of the enlarged Union, ceiling proposed for the period 2007-2013. The European Commission has proposed to increase the size of the budget during the next financial perspective, judging in accordance with the larger number of member-states and widespread demands for the strengthening of new EU policy areas, such as internal and external security. But at an average of 1.14 per cent of GNI, it would still be well within the established 1.24 per cent ceiling. A larger budget would be for sure welcomed by all those that currently benefit from EU money (poorer countries and regions as well as farmers), but for the net contributors this would be more than bad news. The British chancellor, Gordon Brown, condemned such an idea as "unacceptable" adding that rather than the UK rebate being an issue, "the real problem is the Commission's desire to increase overall spending by 25 per cent".[2]

Referring to the present state of the contributions from the Member States, in this year[3] due to the second adjustment of these contributions downwards, they have been reduced by a further euro526 million. Taking into account data on growth rates, inflation, trade and exchange rates, has been decided that 20 out of 25 Member States will have their contributions reduced. For example, the reason for lowering the contributions in Germany's case would be the slower economic growth than forecast, while Belgium and Spain have revised their estimated VAT and GNI bases upward, and the net customs duties have increased, giving rise to higher contributions. The UK rebate, calculated this year was estimated at euro5 185 million, last year being euro5 391 million. A revision of the UK rebate for this year and for 2001 showed a net decrease of euro60.1 million, this meaning that the other 24 Member States pay that much less for the UK rebate this year.

I would say that the British rebate due to its complexity reduces the transparency of the whole system of own resources and it has been and it generates still long and strong debates. But apparently as long as the CAP expenditures are given no restructure, United Kingdom seems determined to insist on keeping he rebate.

As for the resources, as Terry Wynn argues in his article "The EU Budget Public Perception and Fact"[4] the "traditional own resources are the only true own resources of the Union (although Member States tend to also regard them as national contributions).The lower their share becomes, the more the EU will depend on intergovernmental transfers. This, in turn, can cause Member States to maximize

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[1] *Terry Wynn, "The EU Budget Public Perception and Fact - The European Union - how much does it cost, where does the money go and why is it criticized so much?", http://www.lufpig.org/pdf/Terry%20Wynn%20-%20The%20EU%20Budget%20Public%20 Perception%20and%20Fact.pdf.*

[2] *From article "The EU Budget: Common Future or Stuck in the Past" by Iain Begg in http://www.cer.org.uk/pdf/briefing_budget_begg.pdf.*

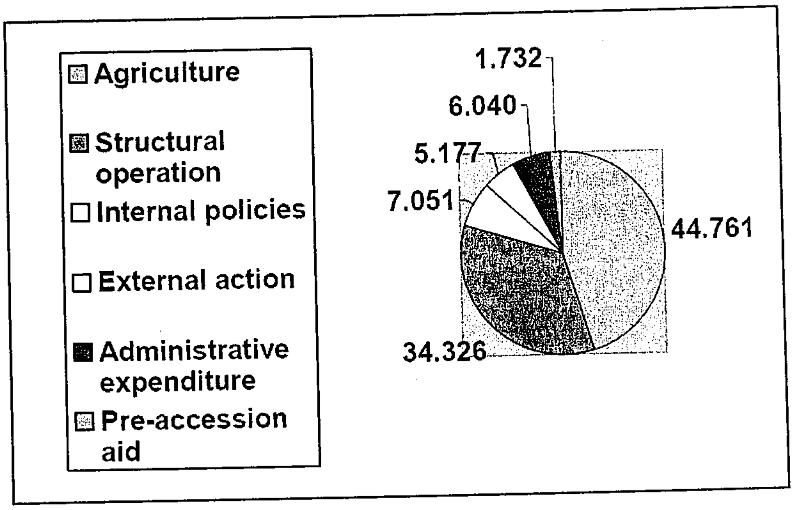
[3] *according to the EUROPA>European Commission>Press Room>Press Releases, IP/05/670 from June, 6, 2005 http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/05/670& format=HTML&aged=0&language=EN&guiLanguage=en.*

[4] Ibid.

concepts of the national benefit from the EU budget. The more Member States (and their citizens) feel it is THEIR resources that are transferred to Brussels, rather than the European Union's OWN resources, the more they will concentrate on what they get in return. This is why the concept of "budgetary balances", the roles of "net payers" and "net receivers", has become so important".

Expenditure

Under the keyword, expenditure stays in fact the answer to the question what is the budget used for, answer that gave, and still gives rise to strong criticism and long debates. The EU expenditure is classified in six different categories: the Common Agricultural Policy (CAP), the Structural Operations, the Internal Policies, the External Action, the Administrative expenditure and the Pre-accession aid. A multi-annual financial framework, a "financial perspective", lays down annual expenditure limits for the different categories. The financial perspective covering the period between 2000 - 2006, as exemplified by the following graph[1], could offer a revealing picture over the general structure of expenditures, showing the distribution of EU expenditure as foreseen in the budget for 2004 (figures in billion euros).



As can be seen, the biggest slice of the budget is used for agriculture, a big portion going to countries like France and Germany[2]. The Agricultural fund is believed to account in 2005 for some 45% of all spending, and due to this, being the source of many controversies. The Agricultural policy firstly confers support to the markets, taking the form of guaranteed prices, export refunds or contribution to storage costs, and secondly it is being used for further development of rural areas. The Structural Funds, including the Regional Development Fund and the Social Fund

[1] *According to Terry Wynn, "The EU Budget Public Perception and Fact - The European Union - how much does it cost, where does the money go and why is it criticized so much?", http://www.lufpig.org/pdf/Terry%20Wynn%20-%20The%20EU%20Budget%20Public%20 Perception%20and%20Fact.pdf.*

[2] *See also Annex 1.*

constitutes the second largest budget item, taking around one third of the total expenditure. This money primarily support economic development in the poorest regions of the EU or meet particular social needs. Under the section of Internal policies, the budget funds are spent[1] on activities like training, youth, culture, audio-visual media and information, and also energy and environment, consumer protection, internal market, industry and trans-European networks, and research and technological development. Under this section, unlike the former two sections, only 90% of the funds are being allocated to the Member States, and this due to the payments from which benefit non-member countries as well as cross border measures difficult to allocate to individual Member States. External Action is comprising of programs for supporting the objectives of the external policy of the European Union, through cooperation, development aid, conflict prevention and human rights projects. The Administrative expenditure is used to cover the administrative costs of the European Union's institutions (salaries, buildings, equipment etc.). The pre-accession aid or the Costs of enlargement, consists of assistance under programs as SAPARD, PHARE and ISPA to help the future-to-be members to get "fit" for the membership.

By means of comparison, the structure of expenditure as foreseen for the years to come[2], shows a structure on Headings including[3]: A Heading 1 (Sustainable Growth), divided into sub-components, 1a.-Competitiveness for growth and employment (expenditure on research and innovation, education, training, EU networks, internal market and accompanying policies), and 1b.-Cohesion for growth and employment (enhancing convergence of the least developed Member States and regions, supporting the regional cooperation); the Heading 2 (Preservation and Management of Natural Resources) deals with the common agricultural and fisheries policies, rural development and environmental measures; the Heading 3 (Citizenship, freedom, security and justice) handles problems in terms of justice and home affairs, border protection, immigration and asylum policy, public health and consumer protection, culture, youth, information and dialogue with citizens; Heading 4 (the European Union as a Global Partner) manages all external actions including the pre-accession instruments and the reserves for emergency aid and loan guarantees; the Heading 5 (Administration) covers expenditure for EU institutions.

After analyzing both sides of the budgetary coin, after describing where does the money come from, and how are these funds afterwards spent, there is one more issue close related to the two terms of revenues and expenditures. What I have in mind is the equilibrium of the budget, and the famous couple of notions, the net payers and the net recipients. These two notions are delimiting somehow two sides on the *battle* over the budget. Before the last enlargement of the European Union, which added to the gallery of EU countries other ten more names, the relatively wealthy Western European states paid in more to the budget than they received in form of subsidies, while the South European countries and Ireland benefited from this budgetary arrangement as net receivers. In 2003 Germany was by far on the top of

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[1] *In 2005 5 billion euros will be used for research projects in areas such as the environment, energy, transport and public health.*

[2] *See also Annex 2.*

[3] *Source of information http://europa.eu.int/comm/budget/financialfrwk/index_en.htm.*

the donors' list, being followed by Great Britain, the Netherlands and France. France's net contribution was lower due to its high amount of farm subsidies. In 2003, one year before the enlargement, there were just four countries on the list of net recipients: Ireland, Greece, Portugal and, by far the biggest beneficiary, Spain. The enlargement with ten new members meant more countries claiming for subsidies, while none of the older member states is prepared and is willing to increase their contributions. After the last enlargement it was sensed a difference in the Member States' level of economic development. Now, twelve Member States are above the EU-25 average of economic development, while thirteen member states' development levels range between the EU-25 average and less than half of that. With the accession of Bulgaria and Rumania in 2007 the lower end will be 34-35% of the then EU-27. all this budgetary balance, or maybe better said imbalance, causes vigorous conflicts over the payments and expenses inside the EU budget. But all this discussions are not at all something new, and apparently are not going to be over, the budget of an ever growing Europe gives always issues to be debated.

The budgetary procedure and the struggle over power

Article 272 of the EEC Treaty sets out the budgetary procedure, stipulating both, the sequence of stages and the precise timing to be respected by the two budgetary authorities: the Council and the Parliament. The budgetary procedure, as defined in the Treaty, extends from the 1 September to the 31 December of the year preceding the budget year in question.

The Commission initiates the budgetary cycle by establishing a preliminary draft budget (an overall forecast of revenue and expenditure for the given year), draft which is to be transmitted to the Council's budgetary authority in all Community languages by no later than June 15. Follows, the first reading of the preliminary draft and after that, a conciliation meeting with a delegation from Parliament, preceding the establishment of the draft budget (before July 31). The draft is sent then to the Parliament in the first half of September, which has 45 days to complete its first reading of the draft. The Parliament is entitled to propose modifications to compulsory expenditure[1] (expenditure needed to fulfill the Community's legal commitments) and amendments to non-compulsory expenditure[2]. The next step in the budgetary procedure is the second reading by the Council, during the third week of November, after a conciliation meeting with a delegation from Parliament. The draft budget is now amended in the light of the Parliament's amendments or proposed modifications. Unless the entire budget is subsequently rejected by the Parliament, the Council has the "last word" on compulsory expenditures. The amended draft budget is returned to Parliament by the end of November following the last stage, the second reading by the Parliament and the adoption of the budget. The Parliament has the task to renew the non-compulsory expenditure and then to adopt

[1] *Proposed modifications to compulsory expenditure require an absolute majority of votes.*
[2] *Amendments to noncompulsory expenditure requite the votes of an absolute majority of members.*

the budget. Consequently the "last word" on the budget belongs to the President of Parliament, who declares the budget adopted and it can be then implemented.

This budgetary procedure is itself something to cause struggle between the Parliament and the Council over their respective powers on budgetary matters, a struggle for having "the last word". This conflict goes far back in time, in 1980 and 1985 when the draft budgets were rejected by the Parliament. Afterwards, in 1982 and again in 1986 to the European Court of Justice was forwarded an action by the Council of Ministers for the annulment of the budget that the President of the Parliament had signed.

The budgetary power is one of the most important feature related to a legislative body, this being an axiom both for the Member States as for the European Union. The budgetary and supervisory powers invested into the European Parliament are thought to be in a certain extent equivalent to those of the national parliaments. But the Community's rules differ from the ones in the Member States, by having the budgetary and the legislative powers not only in hands on a single institution, the European Union sharing somehow these powers and in the same time trying to maintain a balance of influence. The power held by the European Parliament is more one on a budgetary field than in the legislative field, where the Council of ministers usually has the last word. The annual budgetary procedure is the sensitive spot where the Parliament seeks to increase its legislative powers.

"For years, the distinction between compulsory and non-compulsory expenditure has been a bone of contention between the European Parliament and the Council"[1]. The distinction between compulsory and non-compulsory expenditures, introduced in 1970, had the purpose of limiting the budgetary powers held by the European Parliament and to increase the control of the Member States in the European Council over the decisions with financial implications. "With that distinction, the council was able to continue its practice of introducing legally binding entitlements"[2]. Due to the fact that the definition of the compulsory expenditure was highly interpretable, the European Parliament and the Council had intense discussions over the classification of certain expenditure lines, over drawing the borderline between what is compulsory and what is non-.

The introduction of the Financial Perspective, together with extended legislative powers for the European Parliament, made this distinction gradually less relevant. Instead of fighting over having the last word, the Council and the Parliament started a policy of close cooperation, with formal and informal meetings during the course of the annual procedure, giving the two institutions the power to decide more or less over both types of expenditure. Often, the compromise is reached before the second reading of the Council in a conciliation meeting, where the "last words" are to be said by both institutions. To reach this kind of power balance between European Parliament and the Council of Ministers is very important to increase the level of acceptance of the annual budgets among the members of the European institutions

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[1] *Lindner and Rittberger, 2003 quoted by Henrik Enderlein, Johannes Lindner, Oscar Calvo-Gonzalez and Raymond Ritter in article "The EU Budget How Much Scope for Institutional Reform?" on http://www.ecb.int/pub/pdf/scpops/ecbocp27.pdf.*

[2] Idem.

and as well among the Member States whose contributions for the EU budget after all.

What about the Commission then? Article 274 of the Treaty establishing the European Community states that "the Commission should implement the budget on its own responsibility"[1]. That makes more clear the division of powers, it is in the hands of the Council and the Parliament to decide the budget and it is the Commission's duty to implement their decisions.

Financial control

When discussing the budget and thus discussing financial resources one should have in mind also the notion of control. The control over the budget is supposed to be subsumed to the principle of efficiency; it leads to the idea of confidence that the money has been properly spent and the aims achieved. The procedure of control is a dual one, it involves on one hand a pre-analysis of the proposals for the expenditure, aiming at determining whether the proposal is realistic and whether the resources and the activities are enough in order for the goals to be achieved; and, on the other hand, there is an analysis of the results, after the program has been completed, in order to ensure that the aims have been reached at minimum costs.

The financial control of the Community's budget is expressed in terms of internal and external, the internal control being provided by each institution, while the external one being carried out by the Court of Auditors and the Parliament.

Subjects of an internal control are the operations involving expenditure and revenue under the Community budget, and also revenue and expenditure operations implemented by the Member States and therefore out of the Commission's administration. As regards expenditure, before the payments are made, financial units of the departments managing appropriations and the central financial control department are evaluating the correctness of handling the Community's funds. Sometimes there are joint checks on location, taking place together with the auditors from the Member States. As regards the revenue, even if each member state holds responsibility for the collecting and control over its own resources, the Commission evaluates the systems introduced for combating fraud and might also send authorized officials to lead a *spontaneous* control.

The external control is mainly led by the Court of Auditors. If questioning the purpose of this Court, it would be mainly the fact that a supranational budget would require also a supranational organ of control, and to complete this answer we could refer to Brigid Laffan and Michael Shackleton[2] claiming that such institution was needed since among the Member States there existed no common definition of what constitutes fraud and since there were differences in national systems of criminal law. The main task of this Court is to conduct an external, independent audit of the Community's accounts. The European Court of Auditors, established in 1975 and based in Luxembourg is an organ of control but not with powers of sanction. The

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[1] *From http://europa.eu.int/comm/publications/booklets/move/21/txt_en.pdf.*

[2] *Brigid Laffan and Michael Shackleton, in Wallace/Wallace: "Policy-Making in the European Union" (4th edition).Oxford 2000, Ch. "The Budget", p. 89.*

court is "a prolific producer of reports"[1] having as core of its work to conduct audits and to publish the results in the form of reports. They publish an Annual Report, and also Special Reports, including results of audits that dealt with specific sectors. Until 1997 the work of the Court was resumed only by a 450 pages long Annual Report, but, the adoption of a new policy allowed the Court to publish shorter and sharper annual reports and to focus more on special cases. Besides the Special and Annual Reports, the work of the Court of Auditors is taking shape also in a Statement of Assurance regarding the reliability of the accounts and the legality and regularity of the underlying transactions involving revenue collected from taxable persons and payments to final beneficiaries. These reports, excluding the special ones, relate to the just closed financial year and are presented to the Parliament in the course of the following year.

OLAF (Office de la Lutte Anti-fraude) known in English as the European Fraud Prevention Office was created in June 1999, evolving from the Commission's internal anti-fraud unit known as UCLAF (Unite de Coordination de la Lutte Anti-fraude). UCLAF was said to be for many years more a symbolic response to the problem of fraud rather than a serious anti-fraud unit.[2] The signal for the need to improve the system of controlling fraud were repeated reports of fraud against the EU budget in the media, in reports from the UK's House of Lords, in the reports from the Court of Auditors and also in UCLAF's annual reports. Consequently, in 1998 the Commission proposed the replacement of the UCLAF with an independent anti-fraud office, anticipating the coming into force of the Article 280 of the Treaty of Amsterdam on protecting the Union's financial interests. According to Brigid Laffan[3] the tasks followed by OLAF are investigations conferred on the Commission by Community legislation and in third countries through agreements; the protection of the Community against behaviour leading to administrative and penal proceedings; a coordinating role in what concerns the national auditing authorities; and development of methods of combating fraud. However, similarly with the Court of Auditors, "whose web page slogan is 'Helping the European Union achieve better value for your money'; OLAF claims a normative purpose suggesting that it is the engine of a 'Europe of legality' against international crime".[4]

The political aspect of the external control of the budget implementation is represented by the decision of the European Parliament, acting on a council recommendation, to discharge the Commission, to release it from its responsibility for management of a budget, by marking the end of the budget's existence. In the history of Union, the first resignation of an entire Commission was cause on a failure in management. Problems of financial management, led in March 1999 to the departure of the Santer Commission, generating a political crisis in the European Union. Such examples and the reports on other cases of management failure or fraud

[1] *Brigid Laffan in John Peterson and Michael Shackleton, "The institutions of the European Union", The European Union Series, Oxford, 2002, Ch.11,"Financial Control: The Court of Auditors and OLAF", p. 233.*
[2] Idem, *p. 235.*
[3] Ibid, *p. 247.*
[4] Ibid, *p. 237.*

make it crystal clear that the financial resources and the financial control are notions powerfully linked.

The present - A crisis or a piece of cake?

The context

In June 8, in Strasbourg, the European Parliament voted on the report drafted by Reimer Böge on the next Union's financial framework. The Parliament suggested minor changes to the Commission's proposal, a decrease of the overall expenditure, amounting 1.18% of the EU-27 GNI in commitments, rather than 1.21%, the sum proposed by the Commission. The parliament also emphasized more than others some areas of interest such as: citizenship, freedom, security and justice and the European Union's external relations[1].

But, apparently there is much more to debate about the future of European Union. The present state of being of the European Union is not a clear one, but is strongly questioned. Is Europe going through a deep crisis or is it only a short summer rain? One of the issues raising questions is the French and the Dutch "no" for the European Constitution, a rejection coming from two founding members of the union, having great impact on short term on the European political environment and possibly also influencing Europe on longer term. The "no" vote is not necessarily expressed with a tone of scepticism towards a further European integration, does not necessarily mean a rejection of the document as such and doe not necessarily mean a "no" to Europe, but what is certain is that it raises a voice towards a better communication.

It could be called also lack of communication, the collapse of the European Union summit in Brussels and the negotiations over the EU budget for the years 2007 - 2013. The strong discussions at the mentioned summit and the positions taken in debating the next financial framework fitted somehow the analogy to the policy of sharing the cake. Simultaneously, all the parts involved in the summit tried both to reach an agreement and also to grab the biggest part of a cake, supposedly, shared in equal parts.

On one side, Britain rejected the proposal to have its rebate frozen to break the impasse, calling for a restructuring of the European Unions farm subsidies. As BBC News[2] writes, "Britain said it will veto any cut in the 4.4bn euro (£3bn) rebate unless farm subsidies are overhauled, a stance which puts it at loggerheads with France. French President Jacques Chirac refused to discuss any cut in farm subsidies and says the rebate should "under no circumstances be linked to a reform of farm expenditure". The discussion over the British rebate has been framed in terms of concern for the poorer EU entrants who would be obliged to pay more to one of the richest European nations. As expected, the British reply came accordingly, arguing

[1] *From article "The European Parliament's position on the financial perspectives 2007 - 2013", published in June 16, 2005 on http://www.eapn.org/code/en/news_detail.asp?pk_id_content=1327.*

[2] *On http://news.bbc.co.uk/1/hi/world/europe/4102228.stm.*

that there would be no reason for the poorer members to do so if there was no problem raised by the agricultural subsidies which mainly benefit France. "If we remove the rebate, we have to remove the reasons for its existence," argued Mr. Blair.

As described by William Horsley, the BBC's reporter in Brussels, the summit "had descended into a bitter feud about what Europe is for and who should decide its future". Consequently, a voice from Sweden called for one year delay in what concerns the budget decision. And now? And now, apparently the European Union's nations are struggling to find a solution, to lead their way forward, after dealing with a summit that gave no answer, neither for the budget for the years ahead, nor a clear sign that the European Constitution will ever be ratified.

The problem called CAP

The crisis through which are going the non-communicating European actors is a controversy over the financing of the EU budget for 2007 - 2013, having as one of the causes the Common Agricultural Policy, still the largest spending item in the European Union's budget. The total budget for these years is amounted at 870 billion euros - about 1 per cent of the European gross national product (GNP). However the disputed amounts, be it the farm subsidies or the British rebate, are much smaller, and apparently the dispute is not only about numbers, but is much more.

A deal between Berlin and Paris, in 2002 froze the CAP spending until the year 2013, leaving little room for maneuver either upwards or downwards. Since Europe is facing such strong debates it seems clear that not all the Member States are referring to this deal as untouchable, as sacrosanct and that the reform is just one step away, all that lacks being an agreement. And, the problem with the agricultural expenditure is that, even though the CAP has been structurally reformed in order to stop encouraging farmers to produce "wine lakes" and "butter mountains", the overall scale of subsidies has remained steady. The country most eager to stand on the side of those protecting the farm subsidies is France.

France, and also the president Chirac are going through rough times, facing a "no" for the European Constitution with 19% of the voters claiming that the draft is too liberal and 18% of those who said "no" giving as an argument an opposition towards the president of the Republic[1]. Under these circumstances, since Jacques Chirac is unlikely to stand in his position for a further term in two years' time having already the ground shaking, and since the "no" vote by the French citizens was directed against a neo liberal orientation, Chirac can not afford to make concessions in favor of the British Prime Minister Tony Blair, seen in France as "the epitome of neo-liberalism"[2]. In addition, the pressure is even higher due to a 10.2 per cent rate of unemployment and a 2.0 per cent growth, this leading to a strong believe that a reduction in farm subsidies would affect the French society even more. The French farmers, with a

[1] *From a post-referendum survey published in June 2005, from http://europa.eu.int/comm/public_opinion/flash/fl171_en.pdf.*

[2] *Peter Schwarz in an article "Budget Conflict splits European Union", published in June 21,2005; from http://www.wsws.org/articles/2005/jun2005/euro-j21.shtml.*

traditionally militant attitude, have replied, according to Peter Schwarz[1], with street battles to the previous threats to diminish the subsidies. Consequently, due to the present context, the president cannot afford to risk to start any divergence with his rural supporters.

Another victim of pressure caused by domestic issues is the German chancellor, who has to face an election campaign and "is at pains to portray himself as an opponent of the type of 'free-market' radicalism associated with the British Prime Minister (although it is well known that in past years Schröder espoused the economic conceptions of Blair)"[2]. The German chancellor has to deal also with the possibility of being replaced by Angela Merkel, the leader of Germany's conservative opposition, leading an economic and foreign policy closer to the British point of view.

The solution in the view of Tony Blair was to return the agricultural policy in the hands of national governments and to be in there hands to decide whether they want to carry on with subsidies or not. In this concern he argued, "I totally understand why countries may want to give their money to support farmers. What I have an objection to is the European Union deciding collectively it is going to give 40 percent of its budget into an area that has got 4 percent of its people. It makes no sense."[3] In his perspective some more money could be at great use in measures regarding law and order and the control of immigration. The position of Tony Blair is supported by The Wall Street Journal Europe[4] stating that "you don't have to be a free-market economist to understand that it is a terrible waste of resources to spend more than 40 billion euro on farmers, seven times as much as on research. And to appeal to some sort of European solidarity also rings hollow if the system is biased in such a way that France, and not the relatively poorer farmers in Poland, receives the biggest share of the pot". More than this, according to the same source, another problem in overcoming this crisis would be also an intellectual barrier. The conventional concepts of social justice might lead to some ideas that "strict labor laws might not protect but destroy jobs, or that lower tax rates might lead to higher, not lower government revenues", and therefore the "heartless, Anglo-Saxon economy" receives such reply and therefore it is a common belief that "all those favorable economic data must come at a terrible price for the 'unprivileged'"[5]. If this is the attitude to adopt is still questionable. And it is still a question if British attitude is fair enough, and if it is fair enough to wait from a country like Poland, which has about 20% of population somehow involved in agriculture, in search for a compromise to be ready to give up some of ots subsidies. Maybe it is something in the tone of voice rising from London, maybe on the other side is also something that should be restructured in the budgetary system. Maybe all these beliefs and more, the tone of Euro-skepticism rising among Europeans might be more due to an unsatisfactory context, due to angst over some economical or domestic reasons, and maybe removing this economic anxieties and gaining a little bit more confidence in an European future and

[1] Idem.
[2] Ibid.
[3] Ibid.
[4] *Article "Iron Tony", by Daniel Schwammenthal, Opinion, The Wall Street Journal Europe of June 23, 2005.*
[5] Idem.

a more compromising way of handling the problems, could pull Europe out of this deadlock.

Still, in the center of all discussions comes always the economical argument, the budget, but couldn't it be that the budget is not really the key for progress in Europe, "the 40 billion euro farm budget is only a fraction of 1% of the combined European Union GDP, and shifting some of it from subsidizing farmers to subsidizing researchers is economically speaking only a marginal improvement"[1]. The budget debate could be regarded as a symbolic debate in call for more deep changes or maybe for a deeper communication and a more positive attitude.

Pointing the Brits

The British Prime Minister Tony Blair, whose country took over on first of July, for the next six months a leader role in the European Union, was lately the main target of the discussions. The debates over the British attitude had as central point the refusal of the Prime Minister to "surrender an annual rebate to reimburse it for its outsized payments to the EU coffers"[2]. This rebate was a solution for an argument over the benefits Britain received, fewer than other large countries, particularly France who has a substantial benefit out of the agricultural subsidies. The famous British rebate was won by the Prime Minister Margaret Thatcher, in the 1980s asking for a refund of the money Britain paid for the EU budget. To explain the idea of the British rebate I would start from the distribution of the EU money, which does not depend, unlike the contributions, on the size or the economic status of the country. The EU expenditures are set according to specific EU policies (especially the CAP and the Structural Funds), thus leading to a disproportion in receiving subsidies (a country with more farmers and poor regions would benefit more). Then, what about the countries with smaller agricultural sectors? Don't they end up paying much more than they receive? This is the case of Britain, and this would be the justification of its receiving the controversial rebate.

Britain strongly sustains the idea that the rebate is still justified due to the fact that the EU budget pays this country less per capita then any other country in what concerns the agricultural and development subsidies. Without the rebate Britain would become the Union's biggest contributor, paying even more than Germany, the largest economy in the EU. According to CNN surveys, Britain if it hadn't been for the rebate, would have been obliged to allocate to the EU 69 billion euro (£46bn) more than it got back between 1995 and 2003, fifteen times more than France (contributing with 4.5 billion euro) and twelve times more than Italy (5.7 billion euro).

The voices criticizing this rebate insist that it is no more justified, it was, by the time Margaret Thatcher negotiated it, when Britain was not one of the wealthiest EU countries, but now, it seems too much if taking into consideration the fact that Britain is now one of the richest Member States in an 25 Union including by the latest enlargement substantially poorer countries.

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[1] Ibid.

[2] *From CNN news, article "Anger over EU summit failure", from June 19,2005, on http://edition.cnn.com/2005/WORLD/europe/06/18/eu.summit/.*

The conflict over the British rebate is not at all a matter of latest news; it was surfaced, as it has been already mentioned, long time ago. Before this latest summit, the European Union Commission advanced a demand for a budget exceeding over 1 trillion euro. Raising a wave of strong opposition, the amount was lowered at 870 billion euros, by the Council President, Luxembourg Prime Minister Jean Claude Juncker. This proposal included the idea of Britain gradually giving up its discount, without which the British government would pay to Brussels 4.6 billion euro more per year. London could not agree to this proposal, and consequently, Jean Claude Junker came up with the proposal of freezing the amount of the discount, which was due to double in size during the next years. This proposal succeeded in leading to a split among the Member States, Britain having on its side Netherlands, Sweden (both of them being two of the largest net contributors to the EU budget) and Finland, all rejecting the compromise plan proposed by the President Jounker.

Another issue related to the British rebate creates pressures among the Member States and splits them in opposing groups, whether old versus new, or payers versus recipients. This problem is, as formulated by Iain Begg[1], the question whether there are more net payers to the EU budget waiting in line for a rebate. The problem rose from the fact that the British discount created resentment from the other rich Member States for Britain's special treatment. Therefore, in 1999, other important payers to the EU budget, Austria, Germany, Netherlands and Sweden, signed an agreement permitting them to pay less to the British rebate. This deal lives out the new poorer Member States who are forced to pay more to the UK rebate, although their level of income is much lower. Is this debt compensated somehow? Is there any possibility to satisfy equally all the parts involved?

Making alliances in supporting some ideas, negotiating the budget by bringing all sorts of arguments that could serve their individual interests, are a common ground of the budgetary debates. The uncompromising Margaret Thatcher's famous cry "I want my money back!" apparently brought Britain an agreement for a discount. How is this Prime Minister Tony Blair able to impress, what phrase will he choose as motto to support his ideas? And these in a context in which there were raised a lot of unsatisfied voices among the Europeans, in a context when many people started to put under question many of Europe's greatest achievements, in a context in which Europe, as President Junker affirmed, "is not in a crisis, is in a deep crisis"[2].

To all this context the British Prime Minister replies with his program and ideas presented in front of the European Parliament on 23rd of June, before taking over the presidency of European Union in first of July. Tony Blair promoted as main issues[3] renewed economic reforms, the shape of the debate over the future of Europe, how the EU budget is spent and social Europe versus a more free-market oriented Europe. The priorities for the UK Presidency are grouped under three main headings: Economic reform and social justice, Security and stability, and Europe's role in the

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[1] *From article "The EU Budget: Common Future or Stuck in the Past" by Iain Begg in http://www.cer.org.uk/pdf/briefing_budget_begg.pdf.*

[2] *Article "Budget Conflict splits European Union" by Peter Schwartz, published in June 21, 2005, on http://www.wsws.org/articles/2005/jun2005/euro-j21.shtml.*

[3] *According to the article "Priorities of the UK Presidency of the EU" published in July 8, 2005, on http://www.eapn.org/code/en/news_detail.asp?pk_id_content=1327.*

world. The task under the first of the above is described as "A Europe better able to create jobs, higher living standards and modernized social protection". In short, Tony Blair's answer was: "The issue is not between a 'free market' Europe and a social Europe, between those who want to retreat to a common market and those who believe in Europe as a political project. This is not just a misrepresentation. It is to intimidate those who want change in Europe by representing the desire for change as betrayal of the European ideal, to try to shut off serious debate about Europe's future by claiming that the very insistence on debate is to embrace the anti-Europe". In a word the British reply was an appeal for changing, and whether this is the good answer is for the future to decide.

The size of the budget

Besides the struggle of who receives what from the budget, the enlarged and still enlarging Europe is confronted with another battle on the field of the size of its budget. Again this does not come as a premiere for those in charge with dealing European Union's financial situation. In December 2003 the Commission President Romano Prodi received a letter from six of the richer Member States (Austria, France, Germany, Netherlands, Sweden and Britain) requesting, despite the future enlargement of the Union for the overall budget to be limited at the current spending levels of 1% of the EU GNI. This letter was related by the analysts with a reply given to the intransigent position on EU voting system of the two countries Poland and Spain, which blocked, just days before, the constitutional treaty negotiations. However, the struggle over the size of the budget apparently will always constitute a top of the agenda. Even now, when the Commission proposed an EU budget amounting to 1.26% of the EU GNI (in commitment appropriations[1]) the six major net payer Member States insisted on having a smaller budget, not exceeding 1% of the EU GNI.

The Spanish case

The failure to agree on a financial framework for the years to come, 2007 - 2013, is also related to Spain and the position adopted by the Spanish officials. The Spanish Socialist Party (PSOE), coming to power in an atmosphere of disapproval towards Spain's support for the US in what concerns the war in Iraq, started to redirect the country more towards Europe, seeking an alliance with France and Germany. But, at the last summit, Spanish Prime Minister Jose Zapatero went on supporting the opposite team, supporting the British Prime Minister Tony Blair in preventing the ratification of the EU budget.

The reason for the Spanish leader was more a concern for some 8 billion euros in subsidies which might be lost in case of an EU expansion. Spain, side by side with Britain, rejected the idea of compromise proposed by the President of the EU Council, Luxemburg Prime Minister Jean Claude Juncker. The Spanish choice was not motivated by a wanted reduction of the farm subsidies, on the contrary, it was an

[1] *Commitment appropriations shall cover the total cost of the legal commitments entered into during the current financial year.*

attempt to maintain its subsidies under CAP or other development initiatives. Before the summit the Spanish Prime Minister requested an extension of five years on the proposal to end Spanish subsidies by 2008 in order to redirect funds towards Eastern European Member States. The subsidies received by Spain are secured only until 2006, afterwards being seriously put under question due to the needs of a ten members larger European Union. Consequently, the position adopted by Spain was, as the Spanish Vice President Maria Teresa de la Vega declared, "it was better to leave the summit without an agreement than to negotiate a bad compromise"[1]. For Spain the loss of founding would be a big blow for the largest net recipient of European aid since 1975. Apparently, both British hostility towards subsidies in general and also France and Germany tendency to redirect funds towards Eastern Europe are acting in detriment of Spain's interests.

Voices from the East

As a consequence of the collapse of the summit in Brussels the newest and poorest Member States raised voices of pleading for a compromise that will allow some of the aid due to them to be paid. Being one of the biggest recipients of the EU funds and relying on billions from the Union's budget, they were willing to give part of their subsidies in order to facilitate some agreement for the financial framework for the years to come. A delay in implementing the budget could while having relatively little impact on the reach countries, would be paid at high cost by the newest Member States. "A delay in implementing the budget even until next year "would hit the likes of Poland and Slovakia because they would not be able to draw up spending plans for vital projects" such as transport infrastructure."[2].

Since very long time ago (since the accession of Ireland in 1973) the net recipients of the European budget funds received from the wealthy net payers large sums as regional development aid, in order to create adequate infrastructure in less developed areas and therefore to facilitate big business to locate there. A similar treatment was expected also by the ten new entrants in the European Union last year. For example "Poland expects 60 billion euros in the 2007-2013 budget. The five poorest regions in the EU, which also have the highest rates of unemployment, are in the east of the country. These areas, which are largely agricultural and have suffered a collapse in their heavy industry, have attracted almost no inward investment but were to receive an additional 900 million euros in aid over the lifetime of the contested budget."[3] Ste situation is not better for Czech Republic, expecting around 17 billion euros and Slovakia, 8.5 billion euros.

Another problem for the new Member States raised at this summit was the British attack of the CAP subsidies, which besides France, benefit substantially also its poorer *neighbors* from the East. In that region, a large number of jobs are supported

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[1] *Article "EU budget debacle leaves Spain isolated" by Mike Ingram and Vicky Short, published on July 02, 2005, on http://www.wsws.org/articles/2005/jul2005/spai-j02.shtml.*

[2] *article "Whatever happened to 'new' Europe – Britain and new eastern EU members at loggerheads over budget" by Niall Green, June 29, 2005, on http://www.wsws.org/articles/2005/jun2005/euro-j29.shtml.*

[3] Idem.

by agriculture, but, incomparable with the agribusiness farming from the West. These areas, already very vulnerable, which have to face the Western competition, would suffer a lot from a cut in their farm subsidies.

Not of less importance is the loss of confidence among the Eastern public of the European Union, a loss of Euro-optimism caused by the French and Dutch "no" for a deeper European Union, combined with the impasse over the budget. The skeptical "no" of the French voters apparently had a rolling effect influencing the results in following referendums and spreading also over the pro-European East. The same effect of loosing confidence has been noticed also in the countries future-to-be in the Union, where the continuous delay of the accession causes a blow of euro-skepticism among citizens. And apparently the current crisis is going to postpone more the adherence of the two candidate countries for 2007, Bulgaria and Romania. Austrian Chancellor Wolfgang Schuessel, who will take over the EU presidency in January following Blair's term in office, said that he is "convinced that the European Commission will postpone Bulgaria and Romania's accession by one year."[1]

As can be easily seen each of the European actors plays the role that fits his country better. If you are French, and you benefit more from the farm subsidies, you will fight to keep on going the Common Agricultural Policy, which fits you so well. But if you are British, and for years you received a rebate from the budget, of course you will try at any cost to keep it. If you are a net payer, naturally you will try to pay less, while if you are a net recipient you will be happy to get more. Finally, if you are both part of your country and part of Europe you probably will try to find a good compromise between your own country's gains and Europe's best interests. Having controversies, going through strong debates, reaching moments of impasse is, as it has in numerous examples shown in this paper, nothing new and apparently won't ever *be history* in discussing the budget. Therefore the notion of budget I would link it with the notion of compromise.

In order to conclude by referring to the same metaphor of the budget as a policy of sharing the cake, I would add that a very important part of it is, even if it sounds like a cliché, not loosing the hope, the piece of cake you've got, even if not the biggest might instead be the sweetest one. Why not give it a try?

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[1] Ibid.

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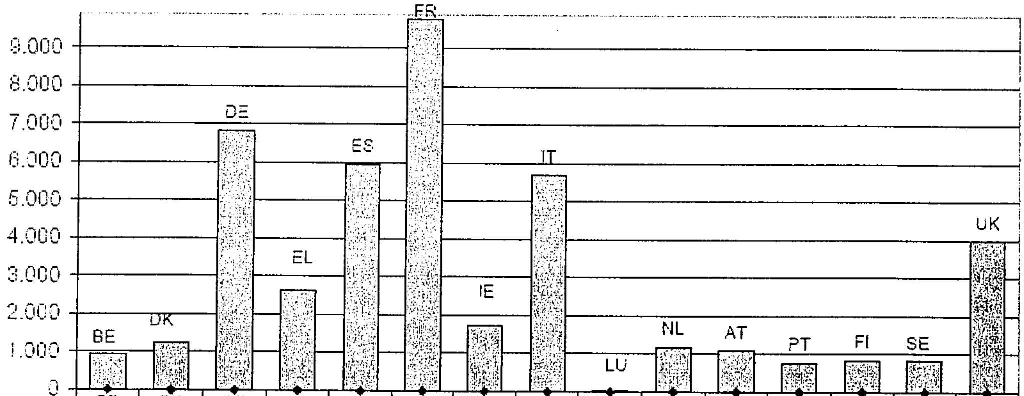
1. Agricultural Expenditure allocated in 2002 (figures in million euros).



	BE	DK	DE	EL	ES	FR	IE	IT	LU	NL	AT	PT	FI	SE	UK
EXP.	949	1.223	6.813	2.637	5.960	9.782	1.724	5.695	38	1.176	1.092	769	839	817	4.003
Share	2,2%	2,8%	15,7%	6,1%	13,7%	22,5%	4,0%	13,1%	0,1%	2,7%	2,5%	1,8%	1,9%	1,9%	9,2%

2. The proposed Financial Framework 2007-2013

Overview of the proposed financial framework 2007-2013 after technical adjustments

Million € at 2004 prices

COMMITMENT APPROPRIATIONS	2006 (a)	2007	2008	2009	2010	2011	2012	2013	Total 2007-2013
1. Sustainable growth	46.621	58.735	61.875	64.895	67.350	69.795	72.865	75.950	471.465
1a. Competitiveness for growth and employment	8.791	12.105	14.390	16.680	17.965	21.250	23.540	25.825	132.755
1b. Cohesion for growth an employment	37.830	46.630	47.485	48.215	49.385	48.545	49.325	50.125	338.710
2. Preservation and management of natural resources	56.015	57.180	57.900	58.115	57.980	57.850	57.825	57.805	404.655
of which : *Agriculture - Market related expenditure and direct payments*	43.735	43.500	43.673	43.354	43.034	42.714	42.506	42.293	301.074
3. Citizenship, freedom, security and justice (b)	2.342	2.570	2.935	3.235	3.530	3.835	4.145	4.455	24.705
4. The EU as a global partner (c)	8.501	8.300	11.985	12.755	13.720	14.495	15.115	15.740	92.110
5. Administration (d)	3.436	3.675	3.815	3.950	4.090	4.225	4.365	4.500	28.620
6 Compensations (e)	1.041	419	191	190					800
Total appropriations for committments	117.956	130.879	138.701	143.140	146.670	150.200	154.315	158.450	1.022.355

Total appropriations for payments (b)(c)	114.740	129.625	131.855	120.995	136.135	136.860	142.525	145.085	943.080
Appropriations for payments as a percentage of GNI	1.08%	1,18%	1,17%	1,05%	1,16%	1,14%	1,15%	1,15%	1,14%
Margin available	0.16%	0,06%	0,07%	0,19%	0,08%	0,10%	0,09%	0,09%	0,10%
Own resources ceiling as a percentage of GNI	1,24%	1,24%	1,24%	1,24%	1,24%	1,24%	1,24%	1,24%	1,24%

From COMMISSION WORKING DOCUMENT Technical adjustments to the Commission proposal for the multi-annual financial framework 2007-2013, Brussels, 12.4.2005