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**«European economic integration regional inequalities and the  
Community budget»**

**by**  
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## European economic integration **regional inequalities** and the Community budget

### 1. Introduction

In this article we will attempt to analyse the dialectic relation of European economic integration under the prism of the European Union's public finance.

The course of the European integration will be examined via the Community Budget.

The vital question in our selected subject, seeking a persuasive answer, is the relation of *economic completion* and *unequal growth*. It is, as we will prove, an ambiguous phenomenon. This ambiguity lies in the fact that the European integration process is elaborated in the base of social oppositions and is determined by the objecting interests of capital and labour.

It is impossible to comprehend the European economic and political integration, outside the process of the internationalization of production and the supranational mechanisms of social classes' regulation.

In order to enlighten the relation between economy and policy, it is necessary to present extensively the public finances of the Union. Thus, we can achieve the necessary mediation between the European completion and the E.U. budgetary policy. For all of the above reasons, we will proceed in a comparative analysis of the Community budget and that of the E.U member states.

Furthermore, we will proceed to an analytical sectoral structure of the Community budget, where important redeployments in the Community financing are observed. Policies recede, like the Common Rural Policy, and policies are found in rise, as for example the European Regional Policy.

We will emphasize in the critical question: how is it possible for the EU, that has a budget which hardly reaches the 1% of the GNP of the European Union, to face the problem of regional inequalities, when the national budgets of the member states usually exceed the 50% of GNP?

We will mention the failure of the Intergovernmental Conference for the approval of the European Constitution (Brussels 2003) and the letter that was sent to the Community Chairman by «6» wealthy countries (Germany, France, Great Britain, Holland, Sweden, Austria) countries, which, as a rule, are supporting the Structural Funds of the Union. These countries request to reduce the Community Budget at the 0,8% of European GNP.

Our discussion therefore is focused on the relation of the rich North and the poor South. In general, the rich countries, especially after the wreck of the Intergovernmental Conference, denounce the "two speeds Europe", wishing obviously to "punish" some poor countries like Poland.

At this point, the interest of our own approach is also situated. The Community Budget investigation and in extension, it's as much as possible increase,

can deal with the problems of unequal growth and bring a solution to the regional problem in the EU25.

The “hard core” of the EU is in opposition to this perspective and counter proposes a “two speeds Europe”. The future seems uncertain.

## **2. The Communal budget and the own resources of the European Union**

The Communal Budget finances the financial politics of the European Union. The incomes of the budget, also characterised as E.U. 's own resources, and they refer to the tax incomes inclining in European Union rather than covering the financing of the costs, keeping today's highest limit the 1,27% of the communal GNP. Especially according to the last regulation which was decided at the Edinburgh's council in 1992, the highest limit of the incomes coming from the budget ascend to 1,27of the rate, which is clear that it comes from adding the GNP of all the member states. So every state-member's contribution to the budget incomes depends on its economic size. This way Greece, whose GNP is the 1,6% of the communal GNP, offers an amount which corresponds to 2% of the incomes' contribution to the budget. Germany's GNP contributes the 26% of the incomes from budget e.t.c.

(Table 1)

Originally the communal budget depended on its financial shares of the members-states. Based on the decision made the 21<sup>st</sup> of April 1970, economic independence was achieved on the 1<sup>st</sup> January of 1978. From this date forward the communal budget is fully financed from the same resources .The structure of the communal budget consist of four resources as follows:

1.Agricultural obligations, sugar shares and sweeteners. Mainly concerning agricultural custom obligations based on the common deliberation for purchasing sugar. In other words, shares from production and storage of sugar.

2. Obligations in general which originate from the application of common tariffs for importing from third word countries.

3. Tax VAT that emanates from the application of the single factor in the base of VAT of each member state and in a percentage of 1% of the income

4. The fourth tax was established in 1988 and it is for the so-called "complement'" means and is fixed in connection with the three other income sources of the budget It is based on the GNP and on the application of a factor which is determined in the frame of the budget's process on the sum of GNP of all member states.

The Community budget therefore is in some way a "common fund of" countries of members in which each country contributes a concrete percentage

**Table1.**Payments of proper funds from the states - members 1999 (millions euros)

	<b>1.traditional proper funds</b>	<b>2.VAT</b>	<b>3.GNP</b>	<b>2.correction unbalances of budget</b>	<b>Total</b>	<b>%participation each s-m on the total</b>
<b>Belgium</b>	1103,0	828,0	1124,2	141,0	3196,2	4%
<b>Denmark</b>	296,4	543,5	723,8	92,6	1656,2	2%
<b>Germany</b>	3188,0	7864,3	9329,2	687,4	21069,0	26%
<b>Greece</b>	187,8	523,1	567,4	70,6	1348,8	2%
<b>Spain</b>	818,8	2462,2	2630,0	320,4	6213,3	8%
<b>France</b>	1486,3	5457,1	6249,2	801,3	13993,8	17%
<b>Ireland</b>	174,9	406,8	434,6	43,5	1059,7	1%
<b>Italy</b>	1278,5	3689,5	5147,6	650,2	10765,8	13%
<b>Luxemburg</b>	20,3	76,1	86,9	10,9	194,2	0%
<b>Holland</b>	1612,2	1566,8	1700,2	212,3	5091,4	6%
<b>Austria</b>	244,6	775,6	914,6	118,9	2053,7	2%
<b>Portugal</b>	184,7	469,5	511,7	61,7	1227,6	1%
<b>Finland</b>	128,2	448,2	564,8	69,5	1210,7	1%
<b>Sweden</b>	355,6	831,6	1041,5	120,1	2348,8	3%
<b>U.Kindom</b>	2778,3	5389,0	6484,0	-3567,8	11083,5	13%
<b>Total</b>	13857,6	31331,2	37509,8	-167,8	82530,8	100%

The above elements of table 1 show that the Community Budget consists of 17% of the traditional proper funds, 38% of the income of VAT, and at 45% as percentage of GNP which overwhelm the countries members of European Union. The member states participate in the income of the Community Budget with the following order: Germany 26%, France 17%, Italy 13%, G.Britain 13%, Spain 8%, Holland 6%, Sweden 3%, Denmark 2%, Greece 2%, Austria 2%, Ireland 1%, Portugal 1%, Finland 1%, and Luxembourg 0%.

The bigger blood donors of the Community budget are the Germans, while the French are profiting from the rural subsidies. Most money in the Community budget come from Germany and France. Then follows Italy with Britain and by contribution of equal amount, Spain and Holland. The remaining countries supplement the Community Budget almost equally.

**Table 2. The prospect of the Community Budget for the period 2000-2006 (European Union the 15, prices 1999)**

	In Million EUROS						
	2000	2001	2002	2003	2004	2005	2006
<b>Agriculture</b>	40920	42800	43900	43770	42760	41930	41660
<b>Structural measures</b>	32045	31455	30865	30285	29595	29595	29170
<b>Other internal policies</b>	5930	6040	6150	6260	6370	6480	6600
<b>Exterior action</b>	4550	4560	4570	4580	4590	4600	4610
<b>Administration</b>	4560	4600	4700	4800	4900	5000	5100
<b>Pre-intensity help</b>	3120	3120	3120	3120	3120	3120	3120
<b>Total (with detentions)</b>	89600	91110	98360	101590	100800	101600	103840
<b>Intergration (in available payments under the limit of proper funds)</b>			4140	6170	8890	11440	14220

In the above table 2 the prospect of development of the Community Budget appears for the period 2000-2006. In 2000 the height of the Community Budget amounted to 89,600 millions Euros, while in year 2006 it is expected to amount to 103,840 millions of Euros. In absolute numbers the expenses of the European Union have increased regularly the last years, while in real prices they have at least doubled in relation to 1985. But, they continue constituting the almost 1,2% GNP of the European Union and 2,5% of the public expenses in the member states. The expenses intended for agriculture are found for the first time regularly under the 50% of the Community Budget, with a tendency towards their further reduction. Therefore, the expenses for the Agriculture amounted in 2000 to 40,5% of Community Budget, and in 2006 they are expected to fall to a 40%.

The intermediary reform of the Common Rural Policy (CAP), sixth in line from her first establishment, is based on a simple principle. Despite of the enlargement of the EU15, with ten new countries, to EU25, for the cover of rural subsidies will be sold the himself substantially capital. This will have as a result the majority of farmers from Greece, Portugal, but also Poland and other countries, to be found literally facing an impasse. Of course, with the suggestions of Berlin and Paris, the EU demands from the new members that they contribute from the beginning their entire subscription to the Community funds, while the help will be paid out progressively and will amount to almost 100% in ten years. The expenses for the regional policy and the resources of the Structural Funds as Fund of Cohesion, while at first followed an upward course they appear then to retreat, for profit of other policies. More specifically, percentage composition of the Structural Policies in 2000 amounted to the 35% of the Community Budget, and in 2006 it is expected to fall to 28%. The administration expenses are constant and lie around the 5% of the Community Budget. The enlargement of the Union and the creation of the EU25 determine in new a base for the expenses of the Community.

**TABLE 3.**  
**Structure of expenses of E.U. budget (percentage % of total expense of budget)**

<b>Policies (subdivisions)</b>	<b>Sum(1999) in millions euros</b>	<b>Percentage on the total budget</b>
Common Agriculture Policy(CAP) European fund of orientation and guarantees-department of guarantees	40940,0	42,2
Structural actions Structural expenses and expenses of cohesion	39260,0	40,5
Formation, youth, culture, audiovisual sector, briefing, social dimension and employment	812,0	0,8
Energy and environment	235,4	0,2
Protection of consumers, internal market, industry and trans european networks	1129,1	1,2
Research and Technological Growth	3450,0	3,6
Exterior actions	6223,8	6,4
Common Foreign and Security Policy	30,0	0,0
Guarantees and reserve funds	346,0	0,4

As it is observed by the elements above of table 3 in year 1999 the rural expenses of the community amounted to the 42,2% of the Community's budget and then follow the expenses for the regional policy, what via the Structural Funds and the Fund of Cohesion amounts to 40,5% of the Community Budget. The exterior actions of the Union concern a 6,4% of the expenses, while the expenses for the Research and the technology amount in 3,6%. The remainder sums are negligible (culture, energy, environment etc).

Having as a base the above elements, it appears that the shaped tendency is that of the credits for the agriculture to be decreased, and the expenses for the regional policy to be stabilised in higher levels.

Obviously, the interests of the European capital do not lie in the fields of poor farmers but in infrastructures, that are materialised by means of the big public work and the 19 transeuropean networks.

#### 4. The approval of Constitution of European Union and the Communal Budget

In echo of the failure of the Intergovernmental Conference (December 2003) and in the salvation of the capitalistic Europe the French chairman Jacques Sjrak made a statement, by placing straightly the question of constitution of "team of pioneers" marking that "I insist on a good solution, because it will give a motor, it gives the good example, allowing Europe to advance faster, farther ."

The chancellery of Germany Sreuter also followed the same pathway, who in his statements in the Frankfurter Allgemeine Zeitung became more explicit stressing that, "it is obvious that if we do not reach an agreement for a visible future on the planning of the constitution for the Capitalistic Europe, the unequal growth, because of which the term "Europe of two speeds" is used, is found pre pylon. Cut into pieces, the European capitalism finds it impossible to correspond to the difficult needs that are imposed by the international competition. The USA prefers an American-friendly EU25 and member states of Poland's type that create the voice of American interests of the "European" Europe under the French-Germany axis. It is because of other reasons as well that the failure of the Intergovernmental recorded with the best possible way the correlations of forces of the new creation, the new alliances in "Europe of many speeds" with the USA present - consequence .

The American challenge and the present victory which join up the states satellites of USA in the EU25 answered with hard way "hard European core". In echo of the Intergovernmental failure the "6" basic states members that are financiers of the Community budget (with 13,3 billions of Euros annually), Germany, Holland, Sweden, Britain and Austria, with a letter to the chairman of the European Committee asked for a reduction of the communal financing, in a time horizon from 2007 until 2013, to 1% of the European Crude National Product from the 1,24% that it is up to this day. If the threats of the 'hard core' are materialised, there will be a curtailment of resources of the class of 25 billions of Euros annually for the countries of the Community cohesion. As a consequence "of the mini mutiny" that was performed by the small countries, came the answer of Germany, that "no one remains unpunished" when he prevents the common good. Up to today the maximum limit of expenses amounts to 1,24% of the GNP of the Union, but it is substantially redistributed by a sum that equals to 1,06% of the GNP. The remainder sum is retained as a reserve fund for extraordinary makes. Consequently, if the proposal of "6" is a "pass" for the reduction of the budget, then the maximum limit amounts to 1%, and the real sum as soon as it will approach the 0,8%-0,9% of European GNP.

The bigger part of the budget finances the so-called structural policies via the Community Frames of Support and the Agriculture. "Rich" countries of the industrial North, that either are not eligible for Community resources, or they do not allocate a significantly big agricultural sector, they contribute more from that they collect. On the contrary, Greece with the other two countries of Community cohesion (Portugal, Spain), generally collect far more than what the "6" rich countries contribute, which are the same countries that deposited the demand for the reduction of the budget. Spain, Portugal and Greece collect 14,9 net billions of Euros annually, if their contribution in the Community budget is first abstracted. The bigger sum collected in proportion to the size of the economy is the one collected by Greece: 3.38 billion euros for the year 2002 or 2,93% of the GNP.

The threats made by the "6" group are mainly composed by means of pressure involving the European Constitution, while they battle the interests of Spain and Poland, as they were considered exclusively responsible for the failure of the Intergovernmental. Of course, with the integration of 2004, the 10 new countries in the EU25, as they are poorer, will collect the share of the lion of the Community resources. Germany emptied the Community funds cynic shows "teeth" in small and poor.

This development will also have negative consequences for Greece. After the integration of poorer countries, a lot of Greek regions, for example, Sterea Hellas, Attica and

the Southern Aegean, will exceed the 75% means of the Community GNP and they might not be included in "Objective 1", having as a result henceforth of not being eligible for this kind of Community financing. According to a research of the German Research Centre, this negative development as to Greece's being financed by the E.U. is concerned, financing is expected to decrease considerably from 2008, and to amount in 2013 even to the 0,51% of our GNP.

The pressures of the French-German axis to the feeble countries naturally touched place, the resistances were bent and the Drawing of the Constitution of the E.U. were approved unanimously in the Summit (June 2004). The threats however of the "hard core" attributed as well .The decrease of the Community Budget is anymore make.

## **5. Conclusion**

As it appears by the height of the Community budget concerning the corresponding National Budgets, there are very small parts of the national budgets of the member states (that usually themselves exceed the 50% of GNP) going to the Community one, that as it was mentioned before it amounts in the 1% of the Community GNP. In the substance, it is an insignificant sum compared to the national colossuses. Therefore, the opinion that the European Union substantially lacks of budgetary policy can be supported and moreover that what the E.U. does is to influence the national policies of the member states through the program of Stability. The neo-liberalism is enacted via the EU in all of the european levels.

Another question can also be posed. That is it possible, to realise the economic and social convergence of all the member states of the European Union, when the communal Budget, amounts hardly to the 1% of total Crude Community product? When at the same moment national budgets of the member states exceed 50% of the GNP and in Sweden it approaches up to the 70%? Of course, in this country providence to the state possesses a place of primacy. Something that obviously scared the Swedes away is the thought that they would lose these with the entry of the euro and in a referendum they finally rejected it.

In final analysis the neo-liberalism, appears to scream with a big dose of hypocrisy for less state, but actually, neoconservatives and social-democrats, appear to be accommodated in a Leviathan state, in which more departments of big capital, live always by the government owned supplies and the subsidies.

In the E.U. they attribute a "grain of state", cynically admitting that the national state is everywhere present in national level with the capitalistic savagery confirming his Marxist approach that the urban state will be suppressed only with the inversion of capitalism in a national level, and in no case the E.U. under the capitalistic arrangement is not able he is changed in big a crucible where the nations states self abolish. The permanently expanding national budgets, in combination with the permanent reduction of the Community Budget confirms this opinion.