

# Germany's proposals on eu multiannual financial framework



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# **GERMANY'S REFORM PROPOSALS ON THE FUTURE STRATEGIC DIRECTION OF THE MULTIANNUAL FINANCIAL FRAMEWORK**

## Introduction

This report is written from the perspective of Germany concerning the EU Multiannual Financial Framework, which is the seven-year structure that regulates its annual budget.

The account starts with a review of the existing financial state and standing of Germany within the context of her strength within the network of states. It provides an assessment of the demographic and human resource capabilities of Germany in the areas of education and skills, technology, and research and development.

The report proceeds by giving an outline of the reform proposals of Germany on the future strategic direction of the financial framework by highlighting areas of particular interests as regards increasing or decreasing the package, and the potential areas for a rebalancing of the budget. The report concludes by outlining how the proposed spending priorities will give value-added opportunities for the EU as a whole.

In writing the report considerations were given to the overall evolution of the budgetary debate over the recent years.

## 2. 1Reform Proposals

Two policy areas which have dominated the overall EU expenditure over the past decades are agricultural and structural policies. The two policy areas <https://assignbuster.com/germanys-proposals-on-eu-multiannual-financial-framework/>

are the focus of Germany's reform proposals. Germany seeks a reordering of spending priorities, maintenance of the overall budget level while exploring other means of revenue generation for the EU budget. The reforms proposed are as follows:

## 2. 2 Proposal 1 - Reduce CAP Spending By 10% (Heading 2)

According to (EC, 2011), currently over a fourth of the EU budget is expended on subsidies to farmers whether they are involved in any significant economic activity or not. The EC outlines that direct payments to farmers are based on traditional entitlement as opposed to definitive need for social protection in agriculture. Germany proposes that direct payments received by the top 11 EU member states be reduced by 50%. These measures will result in a reduction of CAP spending by 10%, which represents €27.8 billion in the next financial package.

## 2. 3 Proposal 2 - Reduce Cohesion Fund Spending by 10% (Heading 1b)

According to (Bachtler, 2003), the convergence objective is to correct fiscal and societal disparities amongst EU member states with a GDP less than 75% of the EU average. Currently all *regions* in EU member states with a GDP above 75% of the EU average are covered under Heading 1b. Germany proposal is that the requirement to have a GDP below 75% should apply to member states only and not the *regions*. Germany is of the view that restructuring of the eligibility conditions would save a total of €32.5 billion.

## 2. 4 Proposal 3 - Increase the EU's Foreign policy budget by 5 %

Heading 4 of the MFF is currently allocated about 6% of the EU budget.

(Söderbaum, 2005) observes that since the institution of the Common Foreign and Security Policy in 1992, the tendency has been to put the heading at the bottom of the budget. He asserts that the poor funding has negatively impacted the management of EU external relations. The 5% additional spending would represent an increase of €2. 94 billion.

### **3. HOW PROPOSED SPENDING PRIORITIES WILL CREATE VALUE-ADDED OPPORTUNITIES FOR THE EU**

#### **3. 1Value Added Opportunities**

Thus, Germany would like to see the savings from the aforementioned proposals reallocated into the following priority areas:

#### **3. 2Youth Employment**

According to (Eurostat, 2014), there are 7. 5 million youth in the EU not in employment, education, and training. Germany's youth unemployment represents 7. 7 % of this figure. Germany believes this problem can be addressed by apprenticeship schemes and initiatives in Germany and across the EU. Companies who engage in the schemes will benefit from net profits on their investment, and the apprentices will learn skills that will increase the prospect of future employability that will result in increased tax revenue and less welfare payments.

#### **3. 3Competitiveness - Research and Development**

According to the (EC, 2011), the EU accounts for 24 % of global research investments. (Van Noorden, 2014) believes that the EU needs a push presently to increase its Research & Development spending because it faces the risk of falling behind its international competitors in America and Asia. Additional spending will help to increase collaboration between science and industry and augment the extent to which researches are successfully translated into new technology, ensuring that the EU is prepared to face the challenges of the future.

### 3. 4Expansion of the TransEuropeNetwork

According to (Spiekermann, 1996) the purpose of the trans-European networks (TEN) is to improve economic and social cohesion through efficient connection of the main economic centres. The savings from the cuts should be reassigned to completion of key transport projects through the Connecting Europe Facility (CEF), the EU's funding system for trans-European transport. This would expedite completion of networks that will improve the inter-operability between the central and outer regions of the union, and bring economic opportunities and beneficial social impact.

### 3. 5EU Foreign Policy

(Euractiv, 2011), outlines that the EU struggles to find a single voice global affairs and is often marginalized by other countries. It presents the argument that the EU's declining influence abroad is proportional to its foreign expenditure and the size of its diplomatic corps. (Emerson, et al, 2011), expresses the need for a restructuring of European diplomacy through the building of a first rate diplomatic corps. The spending will strengthen EU's <https://assignbuster.com/germanys-proposals-on-eu-multiannual-financial-framework/>

influence so it can play an active role in creating peace and well-being in an interdependent world.

### 3. 6Renewable Energy (105 Words)

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### Conclusion

Germany considers that the principal means by which the EU can meet its objectives is through innovation, technological advancement, research and development, employment creation, training, new skills development, economies of scale, a modern energy policy, and a comprehensible and participatory foreign policy.

In order to achieve these key targets fundamental changes are necessary in the content of the budget, revenues, and the overall spending programs so that budget expenditures can add beneficial value to the EU. Under this budgeting approach, priority would be given to policy areas that are most favourable to long-term competitiveness. Given the traditional budgeting pattern of the past Germany appreciates that this is an ambitious budgeting framework to advocate, but it is one that would provide lasting value by making the EU the most competitive and modern society in the world.

Lastly, Germany recognizes the need for other means of revenue to finance future EU budgets. Many options has been proffered, such as an EU tax on financial transactions, revenues from greenhouse gas emission, EU tax linked to air transport, EU VAT, and EU energy tax. The issue of EU own resource is a controversial one because Member States have always shown

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opposition to the idea of an EU tax. In addition, introducing a new tax in the current economic climate runs the risk of disaffecting citizens and other Member States. However, Germany is of the view that deliberation must continue on the development of viable options through which the EU budget can be financed in order to relieve the donor fatigue on her part and other net contributors.