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## The European Union's budget may soon be weaponised

*Members who threaten the rule of law or refuse to accept refugees may find themselves out of pocket*

AH, THE European Union. The finest dispute-resolution mechanism mankind has concocted. The ultimate triumph of bureaucracy over the battlefield. Where else can dozens of governments of varying size, wealth and temper manage their disputes so effectively, quietly grinding out compromises that are greater than the sum of their parts? For that is how it works, is it not?

No, it is not. At least not when the EU's budget is involved. In a few months the club's governments will begin formal talks on the next "multiannual financial framework" (MFF), a drab formulation that conceals the diplomatic rancour its negotiation will spawn. The sums are not large: this year the EU will spend €145bn (\$177bn), about 1% of its GDP. But the means of the MFF's construction guarantee that blood will be spilled. Within countries there are prime ministers to mediate spending disputes among squabbling department heads, but the EU has no *primus inter pares*; the budget must be approved unanimously by its leaders. It will cover five, or perhaps seven, years, from 2021. Because the EU may not rack up deficits or raise substantial funds itself, every negotiation becomes a zero-sum game between rich and poor member states. One former ambassador recalls the fierce atmosphere surrounding EU budgetary negotiations. The friendly diplomats he had got to know over trade and agricultural negotiations were transformed overnight into crazed money-grubbing vampires with euro signs for eyes.

Every European budgetary negotiation is unhappy in its own way. This year's, though, promises a singular pageant of misery, for three reasons. First, the departure of Britain, one of the largest contributors, will leave a €12bn hole in the annual budget. This will have to be made whole by spending cuts, extra demands on wealthy countries or a mix of the two, as suggested by the European Commission (which will issue a budgetary proposal for governments to discuss in May). Second, new money must be found for areas in which the EU wants to do more, such as migration and security—which could mean that less goes to "cohesion" funds for infrastructure in eastern Europe. Third, and knottiest of all, some governments are warming to the idea of weaponising the budget to resolve some of the EU's most intractable disputes.

One problem is how to manage what officials call the "internal dimension" of immigration: sharing refugees among EU countries to lessen the burden on front-line states like Italy and Greece, as well as the common destinations of Germany and Sweden. Many countries, particularly in eastern Europe, see refugee quotas as an attack on their sovereign right to determine who may live on their territory. This tiresome issue has consumed the EU for more than two years. It has brought forth legal proceedings, umpteen recalibrations of quota formulae and a string of bad-tempered summits (the most recent in December). Nothing has worked. The

threat to withdraw subsidies from countries that refuse to take in refugees has loomed since 2015; it is now in full view. The Dutch coalition agreement, signed in October, explicitly commits the new government to that goal.

A second difficulty concerns the rule of law. Attacks on the judiciary and other independent institutions, especially in Poland and Hungary, have forced the EU to confront the impossible question of how to deal with governments that violate their EU treaty promises to uphold the independence of institutions. The commission, in its role as guardian of the EU treaties, has opened proceedings against the Polish government under Article 7 of the Lisbon treaty, which in extremis could see Poland stripped of its voting rights by the other governments. The political and legal obstacles to that look insurmountable. But Poland receives more support from the EU budget than any other member. Why not hit it in the pocket?

Both issues furrow brows, but the second poses the harder questions. The migration row is a legacy of the crisis of 2015-16, a squabble over a relatively small number of refugees that governments may yet be able to resolve. The rule-of-law questions are trickier. The French and German governments have different visions for the EU, but on “values” the pair seem as one: commitment to the rule of law is not up for negotiation. Emmanuel Macron, France’s president, made the case as part of a speech expressing his vision for Europe in September. He has since attacked countries that use EU subsidies to fund tax cuts. (His target appeared to be Hungary.) Germany treads more carefully where Poland is concerned, but last week’s preliminary coalition agreement between its two largest political parties said delicately that the rule of law inside the EU should be “enforced more consistently than has been the case”.

In your head, they are fighting

It is hard to see what could do the enforcing except the budget. Several European commissioners, including Günther Oettinger, who oversees the MFF, have suggested linking payments to assessments of the rule of law. The idea has been discussed in capitals across the EU, including Berlin. To withhold funds from countries with compromised judiciaries or bent administrations is no punishment, the argument runs; merely the prudent management of taxpayers’ money.

That thesis clearly will not fly in those countries which stand to lose out. Some other governments are wary, too. None wishes to find itself next in the line of fire. It is hardly clear how such budgetary sanctions would work, and who would police them. But in unguarded moments, some officials note that money has a way of reaching the parts that political pressure or legal threats cannot. Either way, the stage is set for a bitter row. Last week Sigmar Gabriel, Germany’s foreign minister, said that there were no winners or losers from the EU budget, only “beneficiaries”. Coming from the biggest contributor to the pot, the sentiment was laudable. The coming debate will show it to be nonsense.

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