

# The battle of the EU budgets – and the rule of law

The EU claimed it had reached agreement on a 7 year budget from 1 January 2021 and on the planned Euro 750 billion CV 19 recovery fund, now known as the Next Generation EU fund. There remains, however, one large obstacle.

Poland and Hungary object to the rule of law proviso. The European Parliament is particularly keen on this part of the deal. It means any country that is said to have infringed the EU's idea of the rule of law will not receive their sums from the fund. Poland and Hungary are presently thought to be in violation over independence of judges. Both countries have said they will veto the financial package as a result, and believe the EU is seeking to change their migration policies to one of open borders by this means.

Mrs Merkel currently chairs the Council as Germany holds the rotating Presidency. She is keen to sit down with the President of the Commission and try to broker a way through. They have to prepare for the crucial meeting on December 10/11 when unanimous agreement is needed, and they need to woo the European Parliament to accept any compromise.

The multi annual 7 year budget is planned at Euro 1.8 trillion. This will require every member state to consent to lifting the current ceiling on the budget. Whilst this sounds like a lot of money, it is under 1.5% of the combined GDPs per annum. Some 30% of the total is said to be to promote green growth.

The Commission plans to use permission for this larger 7 year budget to justify a range of new taxes over the next few years to be levied at EU level. They want an expanded emissions levy, a Financial Transactions levy, a Digital levy, and a couple of proposals to tax company profits. Gradually, step by step, they are building their fiscal union. By offering Hungary and Poland larger shares of the planned Next Generation fund they hoped to rein them in on borders and the rule of law.

It is going to be gripping battle, as this is the one occasion when member states have some individual power as they still have a veto over the 7 year budget and the new fund. Once the new fund is established, assuming consent, an important new principle of the EU borrowing large sums on its own account to promote pan Union policies has been established.

It would be interesting to hear from those who still regret the U.K. decision to leave on the following issues

1 If we had stayed in should we have supported this substantial increase in the EU budget?

2 Should we have accepted part liability for the Next Generation Fund or fought to keep it outside the EU balance sheet somehow? Would we have been

happy to be a substantial net contributor through this mechanism?

3. Would we have accepted the new EU taxes which flow naturally from the larger budget or would we have battled to prevent the EU increasing its direct tax raising powers?

4. Does this further move on tax and budgets confirm yet again this EU is much more than a trading arrangement or customs union?

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## Who will run Germany – and the EU?

As always the mainstream UK media ignore the gripping power struggles going on in Germany and the EU. You would have thought the media's enthusiasm for all things EU and the geographical proximity of these countries to us would merit some news and analysis to balance the intensive coverage they give to the USA across the vast Atlantic.

Three years ago Mrs Merkel announced she was standing down as Leader of the CDU, the largest German party in the government coalition which had supplied her as Chancellor of Germany since 2005. She implied her successor would become the CDU's candidate for Chancellor in the 2021 general election, though Mrs Merkel intended to remain in the all powerful number one job for the time being.

The party duly elected AKK in 2018 who presided over poor election results and then decided she would resign in February 2020 before ever fighting a general election to try to become Chancellor. The CDU agreed to hold a new contest to choose a replacement this spring. The virus interceded making it difficult to hold a party conference for the traditional in person voting. The election was put off until December 4th. This date has now also been cancelled, with the lead candidate complaining the further delay is to damage his chances, whilst the party establishment claims the further delay is another CV 19 inspired move. They apparently do not wish to turn to the obvious alternative of a postal ballot.

There are three main candidates for this all important post. After two women in a row as Leader and with the transfer of Mrs Von Der Leyen from the German Cabinet to the role of President of the Commission, this time all three are men. Norbert Rottgen is a self styled centrist and keen enthusiast for a strong EU along German federal lines. He is currently chairman of the Federal Parliament's Foreign Affairs Committee. Armin Lashet is another so called centrist who can also accept Merkel's drift to the Greens and the left. He is also a strong Catholic which affects his political views and is Minister President of North Rhine Westphalia. Friedrich Merz is said to be the current front runner. He moved into the private sector some years ago, and is more right of centre than Merkel or the other two candidates.

The media may have sensationalised and trivialised the campaign, or the candidates may be doing that for themselves. Mr Lashet has been criticised for his opposition to gay marriage, though he now has a deputy on his ticket to soften this. He has also attracted hostile attention for his attitude to girls under 14 wearing headscarves. He is thought to have handled the pandemic poorly in his state. Mr Merz has also been criticised for one of his answers on homosexuality, and has his critics for supporting leitkultur, the promotion of German culture for migrants. He claims to be an economic liberal who has in the past attracted flak for his wealth and for flying himself around in his own plane. In the wings stands Mr Soder, leader of the Bavarian CSU sister party and Prime Minister of Bavaria, who might fancy putting himself forward to be Chancellor were the votes at the general election to give him a chance or more importantly were he able to do a deal with whoever does become leader of the far larger CDU party. He is the most popular candidate for Chancellor in some polls,

The polls show that during Germany's response to the virus – which has gone better than other large European countries – the CDU have risen , with the Eurosceptic AFD falling back to around 10%. The Greens have sustained ratings close to 20%, leading people to assume there would have to be a CDU/CSU/Green government next time. It is a moot point whether the much lower virus impact came from better actions by government or from a different response of people in Germany to the threat or even just a different pattern of virus transmission but it has helped the CDU as the lead party in government.

Mr Merz thinks that a more authentic Conservative message would help win back lost votes and contain the electoral damage to the CDU from the Greens and AFD. His two other opponents are more willing to praise green policies and prepare for a different coalition. Whilst there are different degrees of EU enthusiasm all three will wish to see Germany as the leading country in the EU. All three would assume good lines of communication and influence directly into the Commission with their former Cabinet colleague or party friend in control there. It is surely time for the mainstream media to show us these people and interview them about their intentions were they to come to power.

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## Politically correct speaking

Wokeish is not my mother tongue, but I feel I can usually speak and write it fluently because it is all the opposition parties in the Commons speak all the time. It is prevalent on the BBC and mainstream media, so news is dominated by its tropes and preoccupations.

It is stifling much debate and creating a divide with the informal conversations of some parts of the social media and of life when permitted in many clubs, bars and homes. It seems to be driving some people who do not follow politically correct thought into more extremes of language and

frustration, which is bad for democratic debate. It means anyone however moderate and decent can fall foul of the unwritten rules of language and attitude that the left insist on. It leaves those of us who want proper debate about the preoccupations of the public struggling to allow it, given the severe censorship of the very topics on one side, and the roughness of language of some frustrated voters on the other side who threaten to abuse what should be the right of free speech.

There is a narrow preoccupation with certain themes, and a rigid view of certain challenges and opportunities. Brexit is all bad and always bad to the followers of politically correct fashion. They simply take every lie, half truth and threat from the EU side in the negotiations and retail it as truth. Many editors and interviewers bat for the EU in composition and questions of the interviews.

They alternate their anger over Brexit with their dominant wish that every sacrifice be made by the UK to purge the last drop of oil, the last molecule of gas and the last lump of coal from our lives and economy, as if the UK alone was responsible for their view of impending climate disaster and as if it will save the planet if the UK does abandon all carbon. There is no proportion in their understanding, and no room for anyone to ask critical questions or offer an alternative way forward. Gone is the usual worry about lost jobs or economic penalties as they chase a perfectly carbon free economy before the technologies to deliver it resonate with the public or are even available to buy.

Like most of us, they object strongly to slavery, yet their main anger is to slavery past by UK traders, with no mention of the people who traded slaves with them. They show scant parallel interest with the ugly slaveries of today that we might do something about. They rummage through UK history to highlight events and attitudes that we no longer support, ignoring the noble causes and the successes. They decline to mention the common adoption of the unacceptable by other countries and governments at the same time. England is always in the wrong, and never the victim in their world of devils and angels. There is a complete lack of pride in the UK's role in bringing democracy to the world, in the successful campaigns fought against religious intolerance and slavery, and the battles for equality under the law and votes for all.

We need to take back control of our language and of the agenda. A strong democracy is one that can conduct a civilised but serious and passionate debate about what matters to large blocks of opinion. Attempts to prevent topics and ban any view you disagree with is usually an unwelcome move to alienate significant parts of the electorate and impoverish decision taking.

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## Will you change cars – and boilers?

The EU, the US under Mr Biden and the UK all want people to dump their petrol and diesel cars and buy electric or go by train. They also want us to scrap our gas boilers for home heating and install heat pumps or all electric systems.

They also want us to do this in the next ten years. The enthusiasm for tougher targets to reduce “carbon footprints” means governments have to move on from forcing companies to change their energy use patterns to hit modest targets, to requiring everyone to change our habits to get closer to net zero.

In the UK there are an estimated 25 million gas heating systems in homes. It is going to be a vast task, and a very expensive operation to take all these out and replace them with something else this decade. Many people will object they do not have the money to make the change, or do not wish to have the disruption of replacement when their existing product is just fine. Some may decide to renew their gas boiler with another just before they are banned as they like that product and are wary of the new.

To make the switch happen government and business together have to come up with a great offer which makes people think the replacement is better than the old, and that the net cost of the change is worthwhile or subsidised. It would be better to leave the gas boiler as a legal product until there is a very popular range of other options which most people want to buy.

Governments are also keen to ban the diesel and petrol cars that have served us well over the last century. True greens do not want us to have individual transport other than a bicycle, but governments accept that many people need cars to get to work, to take children to school, to go to the shops and lead normal social lives. They urge us to buy the battery electric alternative.

So far this year in the UK diesel and petrol car sales are down 780,000 whilst battery cars are up by just 47,000. Some of that is of course CV 19 related, but some is the very trend government wants. It is deeply damaging to employment in our car factories and showrooms. Again it is good advice to say first help the industry find and promote popular non fossil fuel products. Only then think about banning the products people have liked up til now.

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## A green industrial revolution?

The Prime Minister this week wrote an article setting out his plans for a green revolution. His immediate target is to help create 250,000 new jobs to

go with the 450,000 jobs currently said to be involved with decarbonisation. The plans entail £12bn of public investment designed to lever in an additional £48bn of private sector cash. That's under 1% of the total jobs in the economy.

There are some good ideas in the list. He wishes the UK to plan an additional 30,000 hectares year with trees, some 100m additional trees. Last year the UK added 13,000 hectares of new wood to the total, with the largest share in Scotland.

I would add to this ambition the rider that we should at the same time plant trees that can be harvested and replaced with others, so we remove the large amount of timber import we currently bring in. We should above all wish to eliminate the import of wood pellet for Drax power station and replace it with domestic output that needs much less fuel to transport.

We need to know how this investment is going to be raised. Are there going to be more tax incentives for people to put their money into timber? Will the UK public sector start buying domestic timber for its needs?

He wishes to extend the Green Homes Grant scheme. It needs simplifying to get it to take off. Offering people cash help to get their homes better insulated, with double glazing and good draught exclusion is a good idea.

He wishes to fund research and development into hydrogen powered systems for homes and vehicles, and wants to pump prime UK made batteries. It is worrying how the UK and the EU have let China establish a lead in these areas, and gain a dominant position in some of the rare earths and materials needed to make modern batteries, which places us at a current disadvantage.

The headline from the PM's intervention was a negative. The UK wishes to ban new diesel and petrol vehicles from 2030. The best way to cut the number of diesel and petrol cars is to produce new products which are better and better value than the cars we currently rely on. If the industry has done that by 2030 then moving on from diesels and petrol cars will be easy. If they have not, maybe the then government – which might just have some different Ministers around the table – will not want to end good products that people need.

There is need for more work on how all the electricity will be generated and how the cable network will be strengthened to take all the extra power. The UK is short of power and needs more reliable power as back up to wind farms. I will talk more about the policy of banning diesel and petrol cars and gas boilers tomorrow.