

# 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 a 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?