

CIRCLE III

Working document 9

"Discussion circle" on own resources

Subject : Note from Mr Göran Lennmarker, Member of the Convention

Members of the "Discussion circle" on own resources will find hereafter a note from Mr Göran Lennmarker, Member of the Convention.

Contribution to Discussion Circle on Own resources by Mr Göran Lennmarker

A basic starting point concerning the system of own resources is a reasonable assessment of the future volume of the EU budget. An important conclusion of the work in the Convention is that the EU budget will not increase with any significant amount. Expenditure for some areas may increase slightly; expenditures due to the enlargement, CFSP, solidarity regarding asylum policy, and the institutional incorporation of the former third pillar. Lower expenditure can be expected when it comes to agriculture and for regional funds, since economic growth for several areas and countries (e.g. Ireland and Spain) has diminished the need for these funds. Further, the role of the EU in social policy implies that the EU will not spend any money on social transfers. The source for spending related to social systems will remain national budgets. Thus, overall the EU budget will remain, in broad terms, approximately 1 % of GNP.

Another aspect concerns macroeconomic stability which the ECB and the Member States are responsible for. The Broad Economic Policy Guidelines, the Stability and Growth Pact and the procedure concerning excessive deficits are important tools but do not imply EU expenditures. Thus, the EU as such will not conduct a budget policy in order to influence the business cycle. Therefore, the EU budget will not increase for this reason.

When it comes to contributions to the EU budget it is fair that those Member States that are richer pay more than poorer. This is a sign of solidarity which EU citizens are likely to accept. However, a specific economic structure (such as the size of the agricultural sector) should not mean that a Member State contributes more or less than any other Member State at the same GNP level.

The present system of own resources should be made more fair and transparent. The VAT own resource should be abolished. The traditional own resources should eventually cease to exist since the Union must aim to abolish all customs. In the meantime these resources should belong to the EU.

The most fair and transparent way of financing the EU is through a membership fee directly related to GNP (in accordance with purchasing power parity, PPP) which would be straightforward, not subject to discussions about various tax bases, and easy to explain to the citizens. Therefore, there is no need for an EU tax.
