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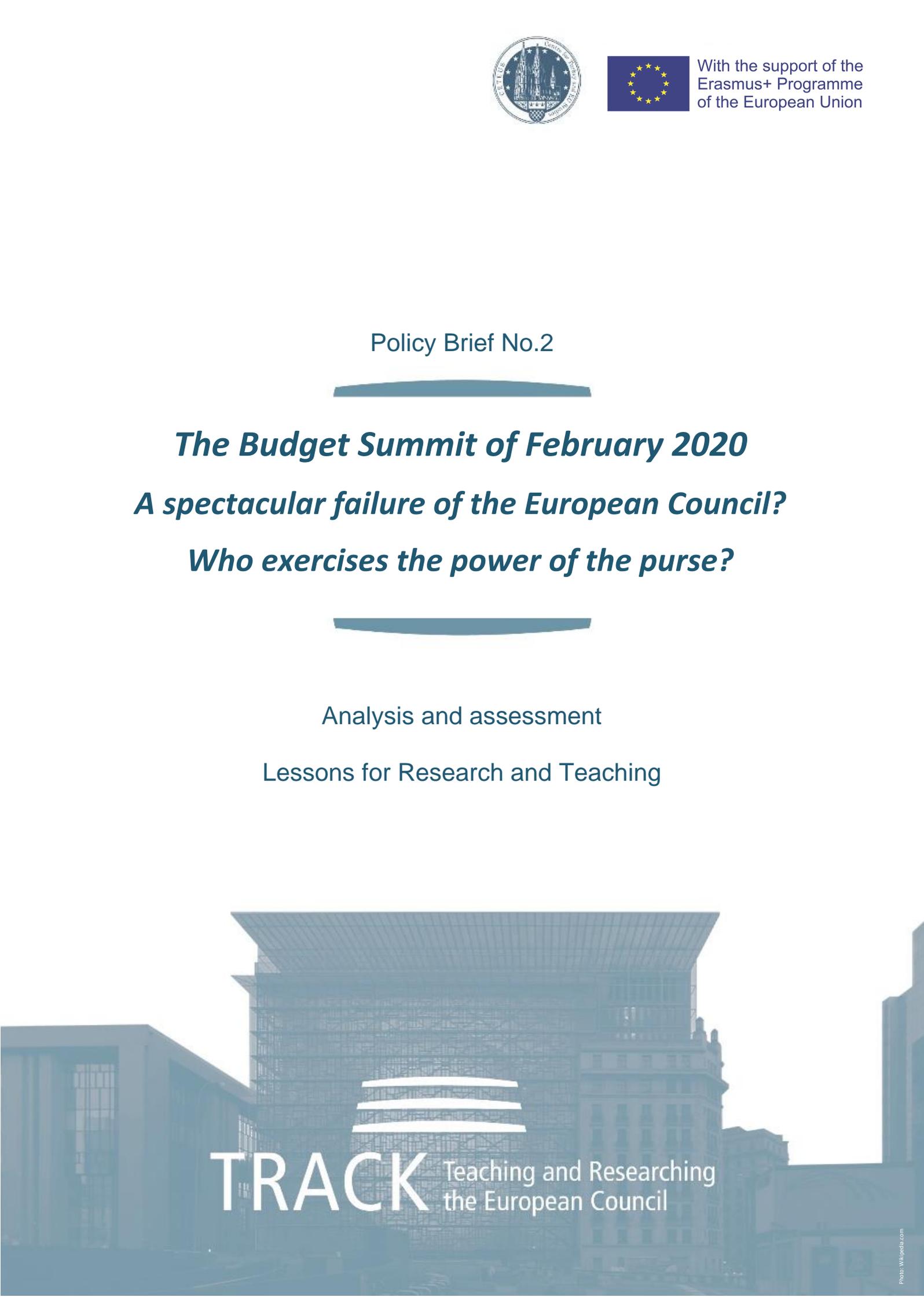
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***The Budget Summit of February 2020***  
***A spectacular failure of the European Council?***  
***Who exercises the power of the purse?***

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Analysis and assessment

Lessons for Research and Teaching



**TRACK** Teaching and Researching  
the European Council



From our academic ivory tower, we observe a *spectacular failure* of a special European Council meeting on the Multiannual Financial Framework: the new president Charles Michel seemed to act as a hectic chairperson of the European Council (EUCO) trying to move different groups of political leaders with opposite interests to reach a consensus on the amount of (own)

resources and at the same time on the categories of expenditure for the multi-annual financial framework till 2027. His favourite method was to hold bilateral and small group meetings (the notorious ‘confessional’). Gossip (or as we might like to call it ‘anecdotal evidence’) informs us about a tough, intensive battle for the Union’s purse with deep confrontations and clear cleavages among groups of member states. No tangible result was communicated. Many participants of the EUCO meeting signalled their disappointment. As one might have expected, a blame game on the new President of the European Council was launched behind the scenes.

Despite the disappointing outcome, we should analyse and assess this special summit in broader *history and theory* driven perspectives. Which lessons can we learn from such an event and its apparent failure?

**1. A deeper look into the Union’s history is stimulating to understand the political controversies in 2020.** In terms of neo-institutionalist approaches, in the budgetary procedures in 2020, we can identify a deeply rooted *path* which is difficult to leave. Let us therefore analyse the origins of the European budget and its long term legacy: after considerable controversies and conflicts in the 60s, the political leaders of the then European Community (EC) agreed at the Hague Summit in 1969 (an often forgotten key event of *history making decisions* and thus a *critical juncture* in the history of European integration) to install a common budget for the EC. It was a vital part of a comprehensive package deal with a high relevance for distributional issues: In the 70s, in return for accepting a Customs Union which was seen to be in the interest of the more industrial Federal Republic of Germany, France was guaranteed a high priority of financing the Common Agricultural Policy. Though the ordoliberal economists in West Germany heavily criticised the typical French ‘dirigism’ (which was by the way put into practice by Mansholt, a Dutch Commissioner) the cost-benefit analysis for the Bonn Republic remained positive: The relative limited sums were accepted in light of the much larger economic and political benefits.

**2. Against this backdrop, distributive effects have been at the heart of budget negotiations from the very beginning:** the Heads of State or Government and the Finance Ministers of the EC did not primarily aim at financing European public goods serving overall objectives of the Union but they were mainly



interested in compensating member states for accepting objectives and policies of the Union’s net payers. Thus, the claim of Art.311 (Treaty on the Functioning of the European Union, TFEU) that “the Union should provide itself with the means necessary to attain its objectives and carry through its policies” has to be tested and discussed. Another example of budgetary package deals can be observed looking at the negotiating of the Maastricht treaty: the cohesion countries were able to realize their (cohesion) fund in exchange for agreeing on the Economic and Monetary Union. In the following years, the enlargements, to the South and to the East, even strengthened this purpose of supporting and compensating economically weaker member states. This handling soon got an additional dominating impetus as it apparently improved integrating new member states into the Union.

**3. Budget negotiations tend to be zero sum games with easily identifiable winners and losers.** ‘Losing’ member states are expected to face negative impacts in national debates and domestic power games. Therefore, negotiations dominated by distributive issues are even more difficult to conclude as political leaders have to achieve some kind of a ‘win-win’ situation.

**4. Since its creation, the European Council has regularly exercised the power of the purse.** The political leaders of the six and then nine member states already took decisions on budgetary issues in 1969, 1972 and 1974. From its very first session in 1975, the European Council (dubbed as the ‘pocket calculator summit’) had to deal with the ‘budgetary correct mechanism’ for the UK, reaching an agreement with M. Thatcher on the British rebate in Fontainebleau 1984. Since then all main decisions on multi-annual financial plans were taken de facto by the political leaders – irrespective of the rising treaty-based powers of the EP in the annual budget procedure.

Year and Place	Topic
December 1969 The Hague Summit	Agreement on the Community's own resources
October 1972, December 1974 Paris Summit	Creation of the regional fund
June 1984 Fontainebleau	Mechanism for British rebate
February 1988 Brussels	Delors I Package on: ‘Budgetary discipline and budget management’ (1988-1992)
November 1993 Maastricht Treaty	Agreement on the cohesion fund
December 1992 Edinburgh	Delors II Package on: ‘Future financing of the Community’ (1993-1999)
March 1999 Berlin	‘The new financial Perspective’ (Agenda 2000) (2000-2006)
December 2005 Brussels	‘Financial Perspective 2007-2013’ (Agenda 2007)



December 2009 Lisbon Treaty	TFEU: Financial Provisions (Art.312-319 TFEU)
February and June 2013	Multiannual financial framework 2014-2020

Source: Wessels (2016): 201.

**5. Given these significant developments in the real world, it might be surprisingly that the respective treaty articles (311 and 312 TFEU) do not allocate any legal power to the European Council regarding the MFF** (except of “to adopt a decision to authorize the Council to act by a qualified majority when adopting (the multiannual financial framework)” (Art. 312(2)). The de facto budgetary power of the European Council could be analysed as a typical pattern of the EUCO’s role definition in the living constitution: the political leaders push and are pulled to take significant decisions in and for the Union themselves – as intergovernmental and fusion approaches suggest.

**6. The Budget summit of February can be seen as part of a typical extended period during which the Heads of State or Government have to deal with this conflictual issue.** At each occasion in the Union’s



Source: EPRS 2020: 2

history, it took the political leaders several sessions to reach to a consensus. These budgetary battles usually culminate in a final meeting under time pressure which is called the ‘end game’ or the ‘night of long knives’. Regarding the MFF 2021-2027, the February 2020 meeting has been the first time that the political leaders were confronted with this conflictual issue in a comprehensive and serious way. In this

sense, the meeting in a way served to set their minds on this battle for the purse.

**7. The February 2020 Summit has not only been the first stage of extensive budget negotiation, but also turned out to be the first challenging test for President Michel’s influence on his peer group.** For outside observers, he played an active and engaged role in the budget summit in order to facilitate consensus – however with no tangible results. He even did not mention any date for a next session on the MFF. The observations highlight the weaknesses of the office as the chairperson: the president of the EUCO has none instrument at his disposal but can only exert power as a mediator and moderator without any substantial offer to make on his own. The limits of the role of an honest broker became evident in light of the deep and fundamental controversies and cleavages. Even if you would not expect



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the president to be a 'dictator' or on the other side just a 'spectator' his skills of a 'facilitator' had apparently no impact.

**8. In 2020, it is important to shed some light on the political conflicts that seem to be even more fundamental and less prone to a compromise this time:** Due to the withdrawal of the United Kingdom, the political leaders have to deal with considerable budgetary deficits. Further they have to reach a consensus on the national rebates for the net payers, the size of resources (only 1% of the GNI like the 'frugal states' demand or 1,3% of the GNI as the EP demands), the categories of expenditure (focussing on conventional positions as agriculture and cohesion vs. financing newer tasks like climate (e.g. the 'just transition fund')), migration and defence. Controversial are also proposals to link expenditure to a regime of conditionality (i.e. to exclude member states that do not stick to the Union's norms (rule of law) from EU funding).

**9. Concerning the effect of the budget negotiations on the EUCO's power position within the institutional architecture of the Union, we should have a closer look at the position of the EP.** In the MFF, the EP needs to give its "consent [...] which shall be given by majority of its component members" (Art. 312 (2) TFEU). The demands of the pro-European majority in the European Parliament are far reaching concerning the size of budget, main categories of expenditure and the abolition of national rebates. In light of the 2019 elections, ending the reign of the Grand coalition of the EPP and S&D, more groups are now involved in order to obtain the necessary majority of 353 votes. As all pro-European parties in the EP also have a significant members from the 'frugal' member states, i.e. the net payer, strong European positions might be blocked. Will MEPs follow majority views within their group or align with national positions? The policy-making within the EP seem to be more difficult than at former occasions of accepting the MFF.

**10. Also in view of the inter-institutional balance of power, the Commission has – after submitting the first comprehensive MFF draft – lost its power of initiative:** first to the Finnish presidency and second to the President of the European Council. Though the Commission's influence is apparently limited, the institution still needs to submit detailed calculations.

**11. For analysing the past and ongoing negotiations, a wide and different set of theoretical approaches could be used to identify and explain typical patterns of (international and European) bargaining:** We need to identify national interests (including the final flexibility for each Head), the role of the presidency to facilitate cohesion and consensus, coalition (or alliance) building and perhaps some kind of power exercised by a Franco-German couple as a 'hegemon'. Besides references to relevant and conventional contributions to the *acquis académique*, let me recommend you to revisit



the seminal paper 'The Joint-Decision Trap, Lessons From German Federalism and European Integration' by Fritz Scharpf (1985).

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### Find out more...

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