Building our common future : policy challenges and budgetary means for the enlarged Union 2007-2013

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PURPOSE : to present the financial and political outlook for the enlarged Union 2007 - 2013. CONTENT : the European Commission adopted this communication setting out the vision for the EU and its future budget plans for the period 2007-2013. With a view to reaping the full benefits of enlargement and helping Europe prosper, three main priorities are proposed: 1) sustainable development; 2) the interests of the citizens; 3) strengthening the Union's voice as a global partner. According to the Commission, the between ambitious, high-level political commitments, on the one hand and the failure to implement, on the other hand, must not be allowed to widen further. In many of the new priority areas the ability of the Union to deliver on the promises of the Member States is crippled by insufficient resources. The political aims and expectations set out for the Union must be matched by a credible targeting matched by adequate means, including financial resources. The objectives can be reached for a Union of 27 Member States without increasing the current ceiling for expenditure. The total annual amounts in payment terms needed could reach EUR 143.1 billion in 2013, which - even for the enlarged Union - corresponds to only 1.15 % of EU Gross National Income. On average the amounts will 1.14 % of GNI over the period. POLITICAL PRIORITIES : the political priorities, as proposed by the Commission, are as follows: 1) Sustainable development: growth, cohesion and employment : at the Lisbon European Council in 2000, the Heads of States and of Government agreed a programme to bring the Union to the leading edge in the knowledge economy and society. We have to reinvigorate this process giving it credible and operational targets, both at national and at EU level. Emphasis must be placed on investment for the future such as promoting the competitiveness of enterprises in an internal market, research and development, connecting Europe through networks, improving the quality of education and training in the EU, helping society to anticipate and manage social change. These are true examples of matters that concern citizens and businesses across the whole of Europe. Common policies and EU budget must be clearly reoriented towards these goals. The objectives of growth and competitiveness would also be the main priorities of the next generation of regional and cohesion policies with particular emphasis on aid for the regions lagging behind. Growth and cohesion must complement each other even more than they did in the past. On 1 May 2004, the Union will take in 10 new Member States creating an unprecedented challenge for the competitiveness and internal cohesion of the Union. Cohesion policy in the future must address systematically the problem of lack of competitiveness so that more of the Union's regions can contribute to growth and employment. The regions must become partners for prosperity. In present Member States, transitional measures are proposed notably for regions that continue to face serious difficulties but no longer are eligible for the highest intensity of support because of the statistical effect. The Commission's proposals also effectively endorse the Council's decisions of 2003 to reform the Common Agriculture Policy and toset the agriculture spending for market measures and direct payments until 2013.The reform will radically re-direct the EU's farm policy towards sustainable development by breaking the link between support and production. The future rural development policy, re-organised into one single instrument will help to increase competitiveness in agriculture, enhance the environment and the diversity of the countryside. Additional funds will be released by shifting amounts from direct payments to farmers in order to reinforce rural development programmes. The new, reformed common fisheries policy will continue to focus on sustainable exploitation of resources. Environmental policy is there to meet expectations from citizens for a better life and solidarity between generations, as well as international commitments and to promote efficiency and competitiveness. Its instruments will also be reorganised to increase flexibility and effectiveness. 2) Citizenship including freedom, security and justice : at the 1999 European Council of Tampere the Heads of State and Government agreed on a detailed roadmap to establish an area of Freedom, Security and Justice. Since Tampere most of the policies on this field have been transferred to

the Community competence. Today, everyone recognises that the challenges posed by immigration, asylum, and the fight against crime and terrorism can no longer be adequately met by measures taken at national level only. The same holds true for protection from natural disasters, health and environmental crisis, access to public services, consumer and health aspects. The framework for dialogue and exchange between citizens involves supporting European cultural co-operation to help overcome the obstacles to cross-border exchanges. Improved instruments and adequate funding will help make that possible. 4) The EU in the world : the Enlarged Union must play a greater role, as regional leader as well as a global partner. To meet these expectations implies developing the EU into a politically responsible actor capable of punching its weight. As a regional leader, the EU will bear a critical responsibility not only for itself but also for the stability of its neighbouring area. Liberalising trade and investment, promoting regulatory convergence, connecting transport, energy and communication networks with neighbouring countries will benefit everyone in the Union as well. The Union should also play its full role in global political governance and strategic security. This concerns the protection against threats (terrorism, the proliferation of weapons of mass destruction, failed states, internal and regional conflicts) as well as ensuing civil security and the protection of citizens against risks (natural disasters, health and environmental crises, organised crime). FINANCIAL DEMANDS : taking into account the challenge to build a credible political project implies to get resources to implement it. The Commission has calculated an average spending level of 1.14 % over the years. A significant shift in the balance of the EU budget to support the new priorities would be achieved. Expenditure levels will increase initially due to the effect of enlargement, but, will at the end of the period be close to the initial level. Payments would lie below the current ceiling of 1.24% of GNI. Overview of the 2007-2013 accumulated amounts : 1) Sustainable growth : EUR 477.665 billion; 1a) Competitiveness for growth and employment : EUR 132.755 billion; 1b) Cohesion for growth and employment : EUR 344.910 billion; 2) Preservation and management of natural resources : EUR 404.655 billion of which agriculture (market related expenditure and direct payments) EUR 301.074 billion; 3) Citizenship, freedom, security and justice : EUR 18.505 billion; 4) EU-Global partner : EUR 95.590 billion; 5) Administration : EUR 28.620 billion. Total appropriations for commitments : EUR 1025.035; Total appropriations for payments : EUR 928.7 billion. It should be noted that the Commission is proposing that for the future a generalised correction mechanism should be considered, establishing a transparent and objective method to correct a budgetary burden deemed excessive in relation to a country's relative prosperity. As for the revenue side of budget and possible new revenue sources, the Commission will study the issue in more detail in the context of an 'Own Resources' Report, which will be submitted to the Council by summer 2004. Lastly, the Commission will prepare by mid-2004 appropriate legislative proposals and a concrete roadmap to reach the objectives. This would leave Council and European Parliament time in the interim to react to today's blueprint. The legislative decisions would then be taken by the enlarged Commission. In order to allow sufficient time for preparing the next generation of programmes to implement the different policies, the financial perspectives would need to be adopted during the first half of 2005.