

Wilton Park Conference

„Prospects for the EU financial perspective in an age of austerity”

Conference Report by Maximilian Stern¹

My motivation as a member of *foraus* – Forum Aussenpolitik, a think-tank on Swiss foreign policy, to participate in a Wilton Park conference that does not immediately touch Swiss foreign policy stems from the fact that I have worked with the European Council of Foreign Relations (ECFR) Berlin Office for 4 months in 2010, thereby having been deeply involved in analysing the outcome of the Euro-crisis. Still, I realised once more, how much Switzerland is part of Europe, when participating in the Wilton Park conference.

The main topic of the conference was the EU’s next Multiannual Financial Framework (MFF), also referred to as the Financial Perspective, which is an interinstitutional agreement (IIA) between the European Parliament, the Council and the Commission. It was set up in the mid-1980s, when it became obvious that the annual debates on the EU Budget would block the Commissions work. The MFF was then introduced to design a fixed budget over a fixed period of time. As the current 7-years -package will run out in 2013, a new MFF needs to be negotiated until then, favourably not in the last minute. Therefore negotiators from all 27 countries have already started to prepare for lengthy debates on the size and content of the MFF. Interestingly, a large part of these negotiators (mainly diplomats from the foreign or financial ministries) took part in the Wilton Park Conference I attended, thereby having the opportunity to informally discussing the political prerequisites for the negotiations and their countries’ respective positions on the topics before the official start of the negotiations. Of course, they were also interested in personally meeting each other in order to check who’s going to be a convenient negotiation partner and who will be a difficult one.

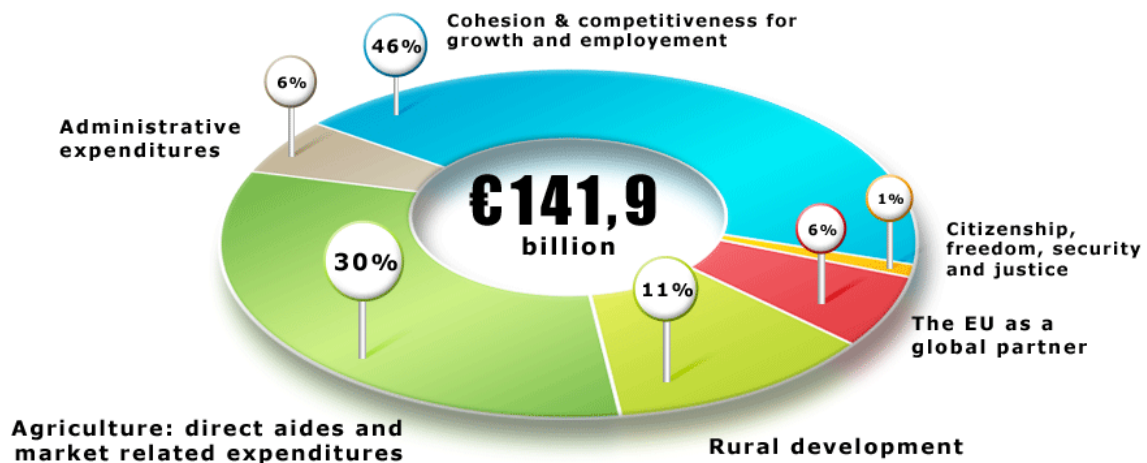
Several EU-Diplomats assured me of the fact that the Swiss negotiators in Brussels were in general quite difficult ones: Extremely well prepared, very good tactical skills and very persisting and patient. Obviously this is in part due to the fact that they face heavy pressure from a Swiss parliament that has a sceptical stance towards the EU. Nevertheless, the Swiss seem to have a good reputation among the Brussels negotiators.

In Wilton Park, the conference began on tackling a general question, nearly a philosophical one: What could be the correct size of the EU budget in an age of austerity? There were statements in favour of enlarging the budget to relief the rigidity of life in poor regions, others were in favour of cutting it as a signal towards the struggling member states that the EU is willing to support them in their fight against high public debt. The strongest argument seemed to be the mandate of the Lisbon treaty which enlarged the number of duties of the EU significantly (in particular by setting up an own foreign office), and therefore calls for a higher budget as well. In fact, the EU’s budget is quite limited, accounting for some 141,9 billion €, which is about the national budget of Switzerland (including federal, cantonal and municipal accounts). The general debate more or less ended up in confusion as the discussants realized their lack of knowledge with respect to the austerity period to

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be expected (requesting more flexibility to adjust it within the 7-years-Period) and that, in fact, it might make more sense to first debate on what the funds will be used for, before capping the budget or enlarging it.

This meant, we went down into the nitty-gritty of the Budget. The two main headings of the MFF are up to now the Common Agricultural Policy (CAP) – that includes direct payments to farmers and fisheries – on the one hand and the structural and cohesion funds on the other hand (see illustration below).



1: The EU Budget 2011, Source: ec.europa.eu

Obviously, those two headings were subject to most of the debate. Switzerland has an interest in both topics: The design of the CAP determines to a large extent our own agricultural policy, even more so as soon as we have a bilateral treaty with the EU on the freedom of trade in agricultural goods (Freihandelsabkommen Landwirtschaft, FHAL)². Such a treaty is to be expected part of the third package of bilateral treaties between Switzerland and the EU (Bilaterale III). The negotiators at the conference were largely in favour of cutting the CAP as they saw it as some kind of budget-dinosaur that survived for too long. It was a widespread understanding that the EU needs to focus more on the development of poor and poorest regions rather than spending huge amounts on farming in the rich member states.

Thus, there was some common ground on the direction of the future negotiations. But then there were quite lengthy discussions on how to determine the regions to be supported. In particular the southern countries favoured the relatively poorest regions within each member state, while the new member states argued that money should be directed to the absolutely poorest regions. Consequently, the debate shifted on the topic of how to determine absolute and relative poverty. No real common agreement was found upon that, merely due to a lack of expertise. But also this second topic of regional development is quite interesting for Switzerland, as we are contributing to European cohesion via our own so-called “enlargement contribution” (“Erweiterungsbeitrag”)³.

Finally, the discussions covered the question of fundraising – another topic that is to be followed closely by Switzerland: One of the favourite ways to finance the budget was the levy of a financial

² <http://www.europa.admin.ch/themen/00499/00503/01051/index.html?lang=en>

³ http://www.deza.admin.ch/en/Home/Activities/Cooperation_with_Eastern_Europe

transaction tax. Obviously, London and Luxemburg oppose this alternative, but a large majority seems to be very much in favour of such a kind of tax on financial transactions, as long as it does not distort the markets, hence, as long as at least Switzerland goes along. The diplomats didn't worry much about possible comparative disadvantages vis-à-vis the U.S., the Caribbean or the Far East, assuming that either these financial centres will participate in a global solution or Europe will become the most trustworthy – though more expensive – financial marketplace worldwide.

The conference was held in a very relaxed atmosphere, very much appreciated by the participating diplomats who to a large part were only recently appointed to these negotiations and therefore not too much into the technical details of the subject. This allowed me to join the discussion on level playing field and my outside opinion was very much appreciated, which is not self-evident in such a high-level environment. Switzerland was naturally seen as very smart national actor, an important and very much respected partner. But when discussing the fact that Switzerland is the odd one out of the EU, there was indeed a whiff of disappointment and quite a proud, emotional and firm conviction of the European project among the diplomats.

I enjoyed the conference very much and would like to express my gratefulness to the Swiss Foreign Policy Association (SGA-ASPE) for its generous support that made my participation possible.