

Cercle 3
Working document 07

NOTE

from :	Secretariat
to :	Discussion circle on own resources
Subject :	Summary record of the meeting on 14 April 2003

The discussion circle on own resources held an initial general exchange of views with particular reference to the Secretariat's note on the current system (WD 01) and the contributions by certain members of the group (WD 02 to WD 05). Its Chairman, Mr I. Mendez de Vigo, gave a reminder of the three principal subjects of the circle's terms of reference (CONV 654/03).

The first question was that of the procedure for deciding on the amount and nature of the Union's financial resources. He pointed out in this connection that both the Constitution's aim of stabilising a system for the long-term future and the weight of numbers arising from enlargement made it necessary to re-examine this procedure, which currently required unanimity on the part of the Council and ratification by all Member States (Article 269 of the TUC). Then came the question of how to make the method of financing the Union more transparent to citizens since it was ultimately the taxpayers in each Member State who funded the Union's budget. Finally, there was the question of a possible European tax, whether direct or indirect. By way of example, the Chairman referred to the idea of transferring part of a national tax to the European level as was done in certain federal systems. But it was not the circle's intention to envisage new resources, which was a matter for the

legislator, but only to examine the relevant provisions in the Constitution, in particular the draft Article 38 of the Constitution.

Several participants argued that the Constitution ought to establish the principle of a ceiling on own resources (and therefore on expenditure), given that the Union's budget would always remain very limited compared with national budgets. Moreover, the Constitution should reaffirm more clearly the principle of financing wholly through resources that are genuinely the Union's own, i.e. resources of a fiscal nature. In their view, the increasingly large share of the Union's resources accounted for by national contributions made for a system that again set net contributors against net beneficiaries, to the detriment of a sense of solidarity or common interest. Moreover, it was pointed out that the contributor/beneficiary debate did not take account of the gain derived from the single market, the single currency or indeed economic and social cohesion by the various Member States. Finally, resources of a fiscal nature would establish a more direct link with the citizen. Consequently, the legal basis in the Constitution should make it possible to levy a European tax, or at least transfer part of a direct national tax, without increasing the overall tax burden on citizens.

Others, however, thought that financing based on the criterion of the wealth of each State (proportion of GNP) would make the current system fairer, more objective, more transparent and more in accordance with the idea of solidarity. At any event, the amount of the national contribution could not depend on factors such as the structure of the economy. One member commented, however, that using GNP was not necessarily fair either, when it was calculated in a way that did not take account of certain factors, e.g. the parallel economy.

As for the decision-making procedure, many participants drew a distinction between, on the one hand, fixing the maximum amount of own resources, creating a new resource and/or the nature of resources in general and, on the other hand, the rules for rates, assessment bases, recovery, etc.

In the first case, which concerned the essential aspects of the Union's resources, some participants advocated maintaining the existing procedure, while others thought what was needed was an "intermediate" act between the Constitution and the law along the lines of the act which would incorporate the financial perspective, to be adopted by a qualified or enhanced majority by the Council following assent by the European Parliament. The question arose here of the role of national parliaments in this procedure. Some participants stressed the unwieldiness of national ratifications for a task as essential as providing for the Union's financial needs, others emphasised the highly formal nature of that procedure, which came at the end of a process of negotiation between the governments of the Member States, and a third group the fact that the legal framework of own resources was in fact politically less sensitive than the actual figures involved. On this point, one member did however wonder whether it might not be appropriate to envisage a new role for national parliaments in this procedure as in other similar procedures.

Regarding the rules, qualified majority voting would be appropriate. Some participants, however, suggested the ordinary legislative procedure, while others favoured assent.

More generally, several participants stressed that it would be logical to involve the European Parliament in these procedures, inasmuch as the resources concerned would be genuinely the Union's own. Some pointed to the current paradox that the Union's resources were discussed by national parliaments in their national budget debates but were not debated by the European Parliament.

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The next meeting will be held on Friday 25 April at the European Parliament. The following meeting planned for 30 April will in principle be brought forward to 29 April and a final meeting has been scheduled for 6 May 2003.

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