Opinion of the Economic and Social Committee on the 'Proposal for a Council Decision on the system of the European Union's own resources'

(1999/C 368/06)

On 3 August 1999 the Council decided to consult the Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the above-mentioned proposal.

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 29 September 1999. The rapporteur was Mr Cal.

At its 367th plenary session of 20 and 21 October 1999 (meeting of 20 October), the Economic and Social Committee adopted the following opinion by 109 votes to one, with two abstentions.

1. The Commission proposal, which was issued in July 1999, is pursuant to the decisions taken at the Berlin European Council on 24 and 25 March 1999 regarding the financing of the European Union for the period 2000-2006.

1.1. The Council's main decisions regarding own resources were as follows:

— reduction of the maximum rate of call of the VAT resource from the current 1 % to 0,75 % in 2002 and 2003, and to 0,5 % from 2004 onwards;

— increase in the percentage of 'traditional own resources' retained by the Member States as collection costs (from 10 % to 25 %);

— technical adjustments to the correction of budgetary imbalances in favour of the United Kingdom (to take account of the results of the Berlin European Council decisions and the future costs of enlargement);

— change in the financing of the UK abatement to reduce the financing share of Austria, Germany, the Netherlands and Sweden to 25 % of the normal share;

— invitation to the Commission to review the operation of the own resources system by 1 January 2006. The review is to cover the effects of enlargement, the rebate granted to the UK and the rebate granted to the four Member States mentioned above in the financing of the UK rebate, and the question of creating new autonomous own resources for the EU.

2. The Committee considered these issues in an own-initiative opinion of 24 March 1999 on Financing the European Union [1], which it drew up for the European Council of the same date. The opinion acknowledged the difficulty of adopting some of the proposals under discussion, such as the creation of new own resources, and endorsed some of the other measures which were duly adopted by the European Council and which now feature in the proposed Council decision. These latter measures include wider use of the GNP resource, a reduction in the maximum rate of call of the VAT resource, an increase in the percentage of revenue retained as collection costs, and consideration of the costs of enlargement in the rebate granted to the UK.

2.1. As it is not yet possible realistically to determine the costs and timescales of enlargement, the Opinion on Financing the European Union took the view that the whole issue of own resources, including the budgetary imbalances affecting some Member States, would have to be reviewed before 2006. The Committee therefore welcomes the European Council's request to the Commission to review the operation of the own resources system.

2.2. The need for such a review is clear from an analysis of the current budgetary imbalances and from the projected costs of enlargement as they emerge from the various budget headings. The costs for the EU budget have been 'seriously underestimated'.

2.3. However, the basic issue raised in the earlier opinion is more far-reaching. Ad hoc positive measures are not enough to guarantee an 'equitable, transparent, cost-effective and simple' own resources system. From 2005/2006 — the date of the first accessions — the new situation will require the introduction of a 'general regulating mechanism for establishing a framework which takes account of the future system of own resources. Such a mechanism would establish a direct link between national prosperity (expressed in terms of per capita GNP) and the budgetary balances of each Member State. The purpose should be to safeguard the overall level of own resources for enabling the European Union to maintain and extend its role.'

2.3.1. 'The curve which represents the graphical expression of this mechanism could not exceed the limits on budgetary balances'.

[1] OJ C 138, 18.5.1999

'The direct relationship between the two variables should not be expressed by a line but by a shaded area around that line so that the correction mechanism comes into play when the net situation in a Member State falls outside the shaded area and deviates considerably from the net situation in the other Member States with the same level of prosperity. The relationship between budget imbalance, measured in relation to per capita GNP and operational budgetary balances requires a formula which allows for year to year variations in budget contributions. Conceptually, the agreed mechanisms should envisage a margin of variation which would be acceptable when averaged over a period longer than one year. The scale of this margin should be sufficient to enable a better balance to be struck between the stability and reliability of the level of revenue and the corrections to be made to budgetary balances when they fall outside the accepted degree of variation. It will thus be possible to avoid generalised corrections every year'.

2.4. The Committee considers that the report reviewing the operation of the own resources system and, in particular, the effects of enlargement on the financing of the budget (Article 9 of the proposed Council Decision), which the Commission has to submit by 1 January 2006, has to be preceded by a wide-ranging debate in all the institutions and in the Member States about the financial autonomy of the European Union, the declining share of traditional own resources, and the availability of ample own resources to maintain and extend the role of the European Union. This wide-ranging debate will make it possible to obtain a broad consensus, which in turn will make it easier for the European Commission to present concrete proposals.

Brussels, 20 October 1999.

The President

of the Economic and Social Committee

Beatrice RANGONI MACHIAVELLI