

What budget for the EU? Principles, spending priorities and the impact of Brexit

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EU budget discussions

- Right to strengthen public goods such as border control, immigration policy, defence cooperation, climate policy and research
- In contrast, effectiveness of EU common agricultural policy (CAP) is less clear; empirical assessments of cohesion policy is mixed
- Possible euro-area stabilisation policy: key is national counter-cyclical policy, better coordination and perhaps a fiscal capacity. Reforming the EU budget is an important step to achieve some form of fiscal capacity.

Impact of Brexit

- If no UK contribution to next MFF and no EU spending in the UK, while spending in EU27 and revenues from EU27 grow with GNI: financing gap of €93 billion in 2021-2027
- If CAP and cohesion spending is fixed nominally at current 2014-2020 MFF level, while everything else increases with GNI: €102 billion surplus available for spending on other priorities
- Yet UK might contribute to the next MFF due to:
 1. "EU exit fee" (around €20 billion in net terms in 2021-2027)
 2. Contribution for some form of access to EU markets, like Norway?