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5 - The Geopolitics of the Union in the Eyes of the Law and the Budget

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Union law and budget : is the Union geopolitically federal or confederal ? The Common Agricultural Policy, a federalised policy. Federal regional policy and equitable territorial development.

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To understand the geopolitical characteristics of the EU it is not enough to consider the financial resources at its disposal and how these are used. Indeed, the EU's ability to take action is filtered through a host of texts, be they treaties, regulations or directives, the large majority of which, a priori, have no financial content. The EU creates law. This was referred to as "community law" until the entry into force of the Lisbon Treaty in 2007, when the title "European Community" was superseded by "European Union". It has since been more accurately referred to as "Union Law". The latter encompasses different areas that we must decipher if we are to address an essential question : is Union Law an extra layer added on to the domestic regulations that each State is free to define for itself, or can it impose itself on the latter ? In other words, does the EU by right determine decisions in addition to the sovereign rules of the Member States or is it a supranational power that overrides the latter ? A similar question applies to the Union's budget. Is the aim of the budget to finance activities common to the countries or missions of a federal nature ?

I. Union law and budget : is the Union geopolitically federal or confederal ?

We should begin by examining the geopolitical balance between power stemming from EU law and power linked to the fact that the Parliament of each Member State is a national legislator.

The primacy of Union Law

Union Law has two tiers : "primary" and "secondary". Primary law embodies the founding treaties and basic standards. It includes, firstly, the Treaty on European Union (TEU) and the Treaty on the Functioning of the European Union (TFEU). This corpus sets out the main principles, objectives and values of the EU, determines the division of competences, the institutions and their role, and the decision-making procedures. Though the Treaty on the European Constitution was rejected in 2005 by negative referendum outcomes in France and the Netherlands, these texts are the *de facto* equivalent of a quasi-Constitution. Another source of primary law is the Charter of Fundamental Rights, drafted in the first years of the millennium and, on a par with the Treaties, carrying the full force of law since December 2009, with the entry into force of the Lisbon Treaty.

A number of protocols have been annexed to the core texts. These address specific issues or individual countries. For example, the UK and Poland secured the insertion of protocol n° 30 relating to the application of the Charter of Fundamental Rights in their respective countries. Also, the Accession treaties are part of Primary Law, which also includes jurisprudential decisions, specifically those of the EU Court of Justice, which, over the years, spells out what jurists call the General Principles of European Union Law.

The instruments of secondary law basically fall into two categories : binding and non-binding. The former are the “regulations”, a term which, in practice, equates to “laws” insofar as, once adopted by the European Council and Parliament, they are directly and mandatorily applicable in all member States. The second type of binding instrument, “directives” set an objective that each legislator in a Union member country is required to transpose into their own national framework, but with leeway as to how this is done. “Decisions” form a third and final body of binding instruments, an example being a European Commission decision sanctioning a company that broke competition rules. As for the non-binding instruments, these are recommendations and opinions formulated by Union instances on specific issues but that may not be invoked in court.

This legal arsenal has two essential characteristics that identify the geopolitical nature of the EU : the primacy of Union Law and the principle of direct applicability. Primacy means that Union Law prevails over the law of individual Member States. It is not embodied in the treaties but is derived from the jurisprudence (i.e. the General Principles) set in stone by a 1978 judgment by the EU Court of Justice. The principle of direct applicability means that EU law directly assigns rights to individuals, bypassing national legislation.

However there is still discussion about what EU law actually is. Insofar as it prevails over national laws and even constitutions, despite the latters’ theoretical superiority over treaties, it is seen by some as the implicit creation of a European federation, even a European state, cancelling out each country’s specific legislation. Others see it nothing more than international law that the sovereign states jointly decide or accept as EU members. This question was discussed in Germany, where the Federal Constitutional Court was asked to consider whether the country could ratify the Treaty of Lisbon, in other words, whether the latter was not incompatible with the *Grundgesetz* or Basic Law of 1949, foundation stone of the German Constitution. On June 30, this Constitutional Court declared the treaty compatible, but on condition that ratification be preceded by the implementation of a law whereby the German Parliament was entitled to take part in the legislative procedure and amendment of the treaties. Thus, the balance of power within the Union is also subject to the law.

Is the EU budget big or ridiculously small ?

The Union budget, initially proposed by the European Commission, is then negotiated with a view to adoption by the Council (unanimous vote) and the European Parliament within the framework of joint decision procedures. Though voted each year, it has, since 1988 (then mandatorily since the 2009 Treaty of Lisbon), been part of a six-year Multiannual Financial Framework (MMF) (2007-2013, 2014-2020) which sets legally binding expenditure ceilings.

The difficulties encountered in the setting out of the MMF are largely explained by the asymmetrical relations between the member countries : some are net contributors (the money they received from the EU budget is less than what they put in via the EU’s different income mechanisms) ; others, on the contrary, are net beneficiaries, receiving more of the Union budget. Inevitably, Member States do not share the same viewpoints and interests, depending on whether they are net contributors or beneficiaries, the latter being mainly EU countries located in southern and eastern Europe.

The most striking characteristic of the Union budget is its amount : 1% of the EU's gross national income, i.e. a far lower level than the budgets of the Member States. Its second characteristic is that it is subject to the principle of equilibrium and must be voted balanced each year, in other words its role is not to act on the EU's economic situation of the moment. Some advocate a far higher EU budget that would be more than a common budget. They refer notably to the works of a group of experts, mandated by the Commission of the European Communities and chaired by Donald MacDougall. Back in April 1977, this group's report estimated that tighter EU integration and the adoption of monetary union would require a federal budget of 2 to 2.5% of GDP in a pre-federal period, 5 to 7% in a second period and 25% if the EU became a fully federal union like the USA .

The counter-arguments point out that the EU is not a unitary state, that its role does not consist of managing public services, as each Member State has to do, and that the administrative burdens engendered by EU regulations and directives are assumed financially by each State on its territory. In other words, the EU budget essentially assumes missions and not, like each State, management tasks.

Moreover, applying its decision to coordinate national budgets for the purpose of budgetary policy, as per Article 121 of the TFEU, the Union does, to a certain extent, have a budgetary policy. This was bolstered by the European budgetary pact, officially called Treaty on Stability, Coordination and Governance (TSCG), signed on March 2 2012 by 25 of the 28 Member States, to create a mechanism paving the way towards economic union via tighter budgetary discipline for the eurozone countries.

WHAT IS THE BRITISH REBATE AND HOW DOES IT WORK ?

In 1984, the British Prime Minister, Margaret Thatcher, negotiated a budgetary concession based on three arguments : firstly, given its small agricultural area, compared with the other member States, the UK was paying a disproportionally high contribution to the Common Agricultural Policy (CAP), which at the time accounted for 70% of the EU budget. The second argument was based on the fact the biggest source of EU revenue was VAT, high in the UK. Thirdly, in 1984, the UK's Gross National Income (GNI) was around 10% below the average for the community members. Mrs Thatcher coined the famous demand "I want my money back". It is in this context that the UK obtained a rebate, funded by the other member States, calculated pro rata of their share of community GDP. In this way France preserved the Common Agricultural Policy.

Time has passed and the initial reasons advanced for the rebate no longer hold water : the CAP as a share of the European budget has diminished sharply ; TVA now makes a marginal contribution to European budget income ; and the UK has caught up its development deficit : today, it is the only country whose contribution to the EU budget is lower than its income. Over countless discussions, notably with France — the country which makes the highest contribution to funding the British rebate — the method used to calculate the latter has been revised, thereby, for example, gradually raising the UK's contribution to the cost of enlargement. In 2013, the rebate was nonetheless maintained as part of negotiations leading the UK to accept to pursue the CAP, while refusing to become the first net contributor to the budget, a strong eventuality were the rebate to be abandoned.

Expenditure centred on two policies

In the EU’s 2014-2020 MFF, payments amounted to €1,024 bn euros, up by 10.7% on the previous period (2007-2013). The MFF is broken down into five categories of expenditure or “headings”.

The most important, entitled “Smart and inclusive growth”, represents nearly half of the MMF (47%), and breaks down into two sub-headings. The first, concerning regional policy, entitled “**Competitiveness for growth and jobs”**, is the biggest budgetary item, accounting for 40% of the total. As such, we shall examine it in more depth below. The second sub-heading, entitled “**Economic, social and territorial cohesion”** accounts for 13.1% of the MMF. Its aim is to address the goals of the “Europe 2020” strategy in favour of “smart, sustainable and inclusive growth”. Thus, it covers investment in research, leading-edge technology and infrastructures. According to EU documents, its ambition is to guarantee the “industrial leadership” of the EU in various domains, such as information technologies and communication, nanotechnologies, and space biotechnologies. Another goal is to meet “social challenges”, in lifelong health and wellbeing, sustainable energy, efficient use of resources and climate change. On a more tangible level, it includes the European Research Council, which is duty-bound to allot funds to projects on the basis of the “sole evaluation criterion […] of excellence”. It also includes a mechanism for interconnection in Europe, to fund trans-European networks in the fields of transportation, energy and digital networks.

The second most important heading, amounting to 38% of the MMF is entitled **“Sustainable Growth : Natural Resources”.** It essentially encompasses the Common Agricultural Policy, the E.U.’s second budget item.

“Security and citizenship” is the title of the third heading, amounting to 1.6% of the MMF. This funds, for example, the Court of Justice, the Frontex agency responsible for migratory control and the European Asylum Support Office.

The fourth heading, “Global Europe”, accounts for 6.1% of the MMF. It primarily finances the European External Action Service (EEAS), in charge of the EU’s action on “major planetary issues” such as climate change, poverty, drug control, crisis prevention and management and armed conflict. However the burden of operations with military implications or in the defence sector lies with individual member countries.

Finally, heading n° 5 of the MMF, accounting for 6.4% of the budget, covers Administration expenses.

II. The Common Agricultural Policy, a federalised policy

Historically, the Common Agricultural Policy (CAP) was the first major policy introduced by the European Community. In 1980, it was still swallowing up over 80% of the Union's budget. Having reached its objectives, it has been reformed several times, most recently for the period 2014-2020. But why exactly was it introduced ?

The reasons for a speedy implementation

In July 1962, in the wake of the creation of the Common Market, the Common Agricultural Policy (CAP), formally planned by the 1957 Treaty of Rome, was introduced. France was particularly proactive, driven by the idea that developing its powerful agribusiness sector could offset the industrial power of Germany, given that French businesses in the secondary sector feared German competition as soon as customs barriers between the two countries were abolished.

The CAP consequently had four goals. The first was to safeguard food supply to the European population, a situation that was particularly uncertain among the common market countries at the end of the 1950s, as, to compensate for the chronic deficit of food products, they imported massively to feed their population. Against the backdrop of the Cold War, the six founder members could only aspire to sovereignty if they had a self-sufficient food supply. The second goal was to offer farmers an equitable standard of living relative to the other sectors of the economy. The third goal was to stabilise the markets, in terms of both supplies and prices, to protect European consumers from variations in the cost of their food. Finally, the fourth goal was to increase agricultural productivity in order to reduce the workforce in farming, thereby meeting the labour needs of industry, during what Jean Fourastié called the *trente glorieuses* (the thirty glorious years), while catering to the need to supply food to towns and cities whose populations were growing under the twofold impact of the rural exodus and the post-war baby boom.

To meet these goals, the CAP would run on two main principles. The first was the single market. In the framework of Common Market Organisations (CMO), set up in each main production sector, the price of agricultural produce was harmonised on the scale of the EEC in which free circulation of good was introduced. European farmers were thus protected from fluctuations in prices and could therefore invest in equipment and modernise their farms, confident in the knowledge that the changes would be sure to bring greater productivity.

Until the early 1990s, the CAP's second overarching principle was that of community preference, which meant that member countries were to source their food firstly from within the common market. This was enabled and encouraged by the implementation of a common customs policy that taxed agricultural products imported from the rest of the world, when these undercut European prices. Conversely, European farmers selling products outside the EEC at prices below European rates received a subsidy called “export restitution”.

Financial solidarity between countries was the third principle underpinning the CAP. All countries contributed to CAP-related expenditure within the framework of the European Agricultural Guidance and Guarantee Fund (EAGGF), the main engine of the CAP implementation, fulfilling two missions. The first was to guarantee farmers a sale price for their produce that would ensure them a decent income. When the market price fell below the guaranteed price, the EAGGF made up for the difference in the form of compensatory allowances paid to the farmer. Secondly, the EAGGF contributed to the modernisation of agriculture by encouraging investment and vocational training for young farmers, while helping them to adapt to health and environmental standards.

Success creating internal and external geopolitical tension

It is hard to deny the success of the CAP. In the early 1960s, the EEC was a substantial importer of agricultural produce, and self-sufficiency was a long way off. By the end of the 1970s, helped by considerable progress in agricultural productivity, stemming from mechanisation, a six-fold increase in the size of farms and the creation of vertical agribusiness processes, it had become an exporter. The CAP was also starting to feel the effects of a success that generated geopolitical tension of two kinds, one inside the EEC and the other in relations with the rest of the world.

At community level, the CAP created growing divisions between Member States. As from the 1960s, each devaluation by a member country sent ripples of unfair competition through the EEC. Thus, in 1969, in the wake of devaluation of the French franc, monetary compensatory amounts (MCA) were established to offset exchange rate differentials between currencies. The MCAs disappeared in 1999 with the advent of the single currency. The major cause of geopolitical tension lies in the way the CAP is funded, an arrangement that is, above all, advantageous to France and the southern European countries, where some agricultural sectors are lagging. Meanwhile, between 1975 and 1990, the cost of the CAP was multiplied by 4.5, partly because of the accession of Greece, Spain and Portugal. The fifth enlargement in 2004 brought the CAP under stronger fire as it doubled the EU’s agricultural headcount and increased farming land by 40%. Thus, until 2013, the ten entrants were only able to benefit gradually from the CAP, for want of a sufficient community budget.

Further tension is created by the considerable surplus of dairy and meat products and even citrus fruits. This destabilizes the markets and causes a rise in intervention expenditure by EAGGF that has no alternative but to cut back its guaranteed price while at the same time expensively stockpiling cereals, butter, milk powder and meat. In 1984 it set dairy production quotas. The CAP is also sometimes accused of unfairness with claims that 80% of expenditure benefits just 20% of European farmers. Finally, the productivist model also involves heavy consumption of chemicals that seep into and pollute groundwater.

The second kind of geopolitical tension caused by the CAP arises in the EU's relations with the rest of the world. Negotiations within the framework provided by the General Agreement on Tariffs and Trade (GATT), and more specifically during the Uruguay round (1986-1994), have concerned the equitable development of international trading of agricultural produce. This is because many GATT countries consider that EEC aids skew internal competition. Agricultural issues have often been obstacles in subsequent commercial negotiations with the World Trade Organisation.

Under the twofold effect of internal and external tensions due to the CAP, the latter has been periodically revised (1992, 1999, and 2003) with a number of goals : cost reduction, control of produced quantities (excess production destabilizes markets), quality and the use of agriculture as an instrument for sustainable rural development, necessarily calling into question the productivist blueprint. The system of price guarantees has been largely dismantled and aid has been "decoupled", in other words no longer correlated with quantities.

The alternative : a cheaper CAP, a greener CAP or no CAP at all ?

In the years since 2010, the previous revisions of the CAP having failed to eliminate recurrent sources of tension, there have been three scenarios.

The first, championed by the UK, would consist in doing away with the CAP completely, while hanging on to a few features as part of the European Regional Policy. Were this to happen, what would be the consequences of the end of one of the EU's rare federal policies ? Most probably, in a CAP-less EU, each member country would go back to deploying its own domestic policy to defend the interests of its farmers and their production. The end of solidarity on agricultural questions could lead to the return of significantly distorted competition inside the EU. The recreation of agricultural "borders" could even usher in the dismantling of the EU altogether. Thus, in September 2012, the President of the Commission, José Manuel Barroso, pleaded in favour of maintaining the CAP, declaring : "European funding makes the system less costly than 27 national agricultural policies".

An alternative would be to make membership of the CAP optional, like that of the Schengen zone or the eurozone. In other words, the only members would be those who consider it advantageous. Consequently, this slimline CAP would no longer have enough financial resources to operate.

Hence, the preferred third option : the pursuit of a CAP capable of addressing the key internal geopolitical issues : reduced budget, looser regulation of agricultural markets and reallocation of credits to the maintenance of landscapes, the preservation of natural resources and a balanced use of rural environments between population, employment and sustainable environment. Meanwhile, the British rebate, brushed under the carpet, survives. The 2014-2020 CAP introduces environmental criteria, reflected in crop or livestock farming methods that are friendlier towards ecosystems and biodiversity. This is the so-called "greening" of the CAP. It is characterized by a cutback of around 7% of the EU's agriculture budget, notably affecting cereal growers and large landowners. Three quarters of the CAP goes to direct payments to farmers, a fifth goes to rural development and the remainder essentially to support for exports, enabling farmers to be competitive faced with cheaper imports from Africa, Latin America and Asia.

In other words, farming methods are not there just to produce in order to safeguard food supplies for the Union’s populations — always subject to risks such as prolonged droughts, flooding or pest infestations — but also to contribute to protecting the environment. Finally, a simplified CAP regime, addressing a need to be more easily understood, is now applicable to small farms.

A cursory macro-economic glance at the CAP might suggest that it focuses undue attention on the CAP, given that in fact agriculture only directly accounts for less than 2% of the EU’s GDP, less than 5% of direct jobs and less than 7% of exports ; but these figures fail to reflect economic reality. Given the increasing degree of technical complexity of today’s farm and the distribution and marketing networks as a whole, the wealth and employment actually created by agriculture account for far higher percentages. This, in addition to the need to safeguard food availability and the environment, explains why so much importance is attached to agriculture in the EU budget.

III. Federal regional policy and equitable territorial development

Why is cohesion policy, the EU’s second-ranking budget item so important ?

The goals of territorial cohesion policy

Regional policy was embodied at the outset in the Treaty of Rome, the preamble to which states that the six signatory states are “Anxious to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and the backwardness of the less favoured regions”.

From the start, regional policy pursued three goals : the first concerned solidarity between countries, given that at the end of the 1950s, this was of particular interest to Italy, at the time the poorest of the Six and, within Italy, its southernmost part. The second goal of community regional policy was to strengthen economic and social cohesion between the European territories to dispel the fear that the populations living in the poorest territories felt neglected.

The third goal of regional policy is to contribute to an integrated “community space” replacing juxtaposed territories in different member countries. While the EEC introduced the free circulation of persons, capital and goods within the European community, this could only be effective if it acted on two levels, that of the different borders between Member States and that of the whole territory formed by the EEC countries.

Because the first level consists in facilitating cross-border exchange, regional policy assumes the task of promoting “Euroregions”, namely regions spanning territories under the sovereignty of several EU Member States. The aim is to facilitate cross-border exchange, for example, by financing the construction of transport networks, and stimulating economic cooperation by financing cross-border zones for cooperation between universities and in culture, an example being the “Saar-Lor-Lux” Euroregion.

An example of a Euroregion : “SaarLorLux”

“SaarLorLux” is the portmanteau name of a cross-border cooperation zone introduced in the 1990s spanning territories in four EU member countries : the Lorraine region of France, French and German-speaking communities in Belgium (including the Belgian Province of Luxembourg, one of the five provinces of Wallonia), the Grand Duchy of Luxembourg and the German *Länder* of Saarland and Rhineland-Palatinate. The EU and Germany refer to this zone as the “Great Region”.
Of all Europe’s transboundary regions, the Great Region is the one with the biggest number of cross-border workers, notably commuting from Lorraine to Luxembourg, but also to Saarland and Rhineland-Palatinate.

The second level, the organisation of an open community area, assumes that infrastructures are constructed to enable mobility on this scale, such as rail and motorway “Eurocorridors” funded with the support of the common regional policy. Over the years, the focus on territorial development at this level led to the publication in 1999 of a “European Spatial Development Perspective” (ESDP), with the aim of offering equal access for the whole of the population of the EU countries, irrespective of their home region, to material and immaterial communication networks.

The budget allocated to regional policy is managed according to the type of aid received from structural funds - ERDF (European Regional Development Fund) for major infrastructures and innovation set up in 1975, ESF (European Social Fund) set up in 1958, FEADER (European Agricultural Fund for Rural Development, partial successor of the EAGGF) – or by the Cohesion Fund, created in 1994 for countries with a GDP per capita not exceeding 90% of the community average.

The pace of evolution dictated by enlargement

Over the years, the evolution of regional policy has been essentially moulded by issues traceable back to the enlargements and to the globalization process that has become particularly pronounced with the creation of the World Trade Organisation on January 1 1995.

Effectively, since 1981, date of the accession of Greece to the EEC, successive enlargements have brought in regions with lower GDP. Regional policy consequently aims at redistribution so as to help regions in difficulty or lagging in terms of development to catch up. Typically these regions include *Mittelgebirge* (low mountain range) regions, regions north of the 62nd parallel, low-density rural regions, islands suffering from the effects of territorial discontinuity and

Outermost Regions (OMR) or those that have to handle difficult economic transitions (former industrial regions in the process of redevelopment and former Communist countries).

However, regional policy is not just a scheme of free handouts. It runs under the principle of "additionality" : the EU does not take the place of states or regional governments, it is there to "top up" national and local initiatives. To avoid aid from being sprinkled willy-nilly, these initiatives must be part of regional development programmes compatible with the ESDP. The goal is ultimately to give each territory the same potential to enjoy growth and development, but leaves each territory the task of making optimal use of this potential.

It is not easy to comprehensively assess the achievements of the EU's regional policy, but three aspects do stand out. Firstly, it has enabled the completion of public infrastructures : water supply, sanitation, electricity and road networks, for example in the Italian Mezzogiorno. Secondly, access to numerous regions has been opened up with links to European transport networks, notably by the construction of motorways. European funds have contributed to many developments, such as the modernisation of Irish universities, the motorway network in the Iberian Peninsula and the extension of airports in outermost regions ; like the one at Saint-Denis-Gillot on France's Reunion Island. Consequently, the EU's territories are more closely integrated into the transport networks that crisscross the EU. Moreover, regional policy has transformed political frontiers into areas where interchange and cooperation are propitious to better development of cross-border regions.

Another tangible proof of the importance of regional policy is the presence in Brussels of offices representing the European regions, even if the most visible are those of the German *Länder*, such as Bavaria, unsurprisingly, given this country's federal framework. Furthermore, the regions have become go-to players in the functioning of the European institutions, notably via the European Committee of the Regions.

There are of course residual inequalities, regional development being also dependent on each country's domestic policies, while the execution and enhancement of projects funded by EU regional policy depends to a great extent on the quality of territorial governance. Moreover, the EU's regional policy cannot rub out domestic inequalities within nations, be they between large metropolises and surrounding regions (for example between Prague and the rest of the Czech Republic), or within urban territories marked by social and spatial segregation.

Refocused and better governance of regional policy

Just like the CAP, the Regional Policy for the period 2014-2020 is the result of a rethink that conserves three slightly refocused thrusts and introduces some hopefully innovative features.

The first feature to survive in the 2014-2020 Regional Policy is the continued investment in all the EU's regions, towns and cities. This enables regions in the more developed Member States to continue to be eligible for funds. However, the less developed regions continue to receive at least 70% of the funds, the main beneficiary being the Polish regions, ahead of Italy, especially its southern half. Among the senior Member States, the UK's westernmost territories are also considered to be less developed regions.

The second survivor is cross-border cooperation, in fact enlarged to enable regional policy to also contribute to multinational actions for interstate or interregional cooperation such as the Danube basin or the Baltic Sea.

The third surviving feature in the 2014-2020 version of regional policy is the adaptation of the level of support and the national contribution (rate of joint funding) based on level of development, distinguishing three types of regions : less developed (GDP < 75% of the EU average) ; transition regions (GDP between 75% and 90% of the average) ; and more developed regions (GDP > 90% of the average).

The new goals for 2014-2020 are to simplify and encourage better governance. The budget for regional policy is to be earmarked for key growth sectors : investment in research and innovation, information and communication technologies, small and medium-sized enterprise (SME) competitiveness and low-carbon economy.

The ESF has to deal with nearly a quarter of the cohesion policy budget for investments dedicated to financing education and training, reduction of poverty and the promotion of social inclusion, as well as help for job-seeking. As for the Cohesion Fund, its role is to finance the priority links in the trans-European transport network and environmental infrastructure projects. As for improved governance, the Member States will be required to present the goals that they hope to attain using the available funds and to explain precisely how they will measure the progress actually achieved. A better appreciation of the results of funded projects can only be helped by clearly stated, transparent and measurable goals and by the assessment of the latter.

Still on the subject of governance, the multiplicity of the existing funds introduces a complexity that should – partially – be overcome by reinforced coordination, notably to prevent overlap. The red tape, especially cumbersome for small territories or towns, is to be rationalized. Further, and this is one of the most controversial new features of 2014-2020, regional policy may be used for goals that are not territorial in the strict sense. Indeed, the 2014-2020 framework enables the Commission to invoke the clause of “macroeconomic conditionality” to ask Member States to modify programmes in order to support key structural reforms or, as a last resort, suspend the payment of funds in the event of serious and repeated failure to implement economic recommendations. In other words, the aim is to pre-empt situations where investments in territories have had practically no effect because the general economic environment of the country is so bad or if the procedures or systematized corruption effectively prevent the allocated funds from reaching their proper destination.

EU law therefore has supranational importance because, on one hand, of the regulations that equate to federal laws and, on the other, the jurisprudence set by the EU Court of Justice, which, except in extremely rare cases, rules in favour of the primacy of EU law. The plethora of the EU’s defining documents is illustrative of the EU’s liking for standards. The result is that conflicts within the EU are often largely of a juridical nature. In particular, the position of the German Constitutional Court, assuming it is to last, is a major geopolitical roadblock to the ambitions of the advocates of a European state that would gradually supersede the different components states, either in the form of a totally unified European state, or as part of a Europe of regions, in other words an EU in which the states would become defunct, replaced, as the political stratum immediately below central political power, by the regions.

As for the EU budget, over two thirds are devoted to common policies in a MMF. So will the 2014-2020 framework go the distance ? Some think not, but can it be totally overhauled, given that it takes several years of discussions to work it out and because the EU, with its predilection for imposing standards and its complex legislative and budgetary procedures, has the manoeuvrability of a supertanker ?

However, European integration is not just about EU law and budget. It also includes two types of European expenditure that are not controlled by the EU. The first type includes quasi-community expenditure engaged by organisations within the EU sphere of influence, such as the European Space Agency (ESA) or the European Organization for Nuclear Research (CERN). The second, intergovernmental expenditure, is engaged by a number of EU Member States to fund organisations managed totally independently from any European institution.

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