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Spain and the EU Financial Framework 2014-2020

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The negotiations on the new EU Financial Framework are due to start in a few months. The process will be particularly important for Spain, which in 2014 will become a net contributor to the EU budget. In response to this change in status, the Spanish government will seek to reform its contribution and spending systems as well as look for measures that would allow the country to keep receiving significant EU funds. Uncertainty about prospects for the Spanish economy might, however, negatively affect the government's negotiating position.

Spain and EU Financing. When Spain acceded to the EU in 1986, its economy was generating less than 70% of the Community's average GDP per capita. In 2003, it was already 90% of the EU-15 average. EU funds have been significantly contributing to the modernization and economic growth of the country. During 2000-2006, Spain was the main net beneficiary of EU funds. The 2004 EU enlargement led to the bringing down of the average EU economic indicators. This "statistical effect" as well as a need to redistribute funding towards new member states were the main reasons Spain became one of the most affected countries in the EU Financial Perspective 2007-2013. Spain gained, however, a transition period that allowed it to continue receiving cohesion fund monies until 2013.

Currently Spain's GDP per capita is above the EU average. In 2014, of the 17 Spanish autonomous communities, only Extremadura will still belong to the "convergence" objective group and remain eligible for the cohesion fund. The authorities of such regions as Andalucía or Galicia, which will fall under the "competition" objective, have actively pressed the central government and lobbied in European institutions for transitional measures that would allow them to continue receiving resources directed for the "convergence" regions. In December 2010, the Spanish government opposed a UK-led initiative to freeze EU budget spending. They argued that no pre-condition for negotiations should be made before official discussion was launched by the European Commission after its final proposal (possibly in June 2011). The Spanish position will respond to the Commission's document. Nonetheless, government officials already have identified some issues that will be important for Spain.

Main Negotiating Principles. Spain argues for a strong European Union with adequate resources to meet the bloc's objectives and carry out common policies. The main principle for negotiations on the financial framework should be a parallel discussion on both the EU Budget's contributions and expenses. Additionally, a thoughtful review and broad agreement on the contribution system need to be achieved before debate on spending goes forward. José Luis Rodríguez Zapatero's government criticizes correction mechanisms, in particular the so-called British rebate. It considers them a distortion of a fair share of financial obligations among the EU-27 members. The contribution system should be transparent and simplified, especially by getting rid of any exceptional treatment. Spain also calls for equality in contributions, particularly when it comes to bearing the cost of enlargement. It argues that the share in the EU budget should be based on real economic weight. In terms of the contribution to the EU Budget as a percentage of national GDP, Spain pays relatively more than the wealthiest member states. Moreover with a 14% share, Spain is the main contributor after France and Italy to the British rebate. Zapatero's government also will push for transitional periods for receiving structural funds for regions passing from the "convergence" to “competition” objectives. For Spain, whether it is the effect of economic growth or a “statistical effect” of the enlargement, such regions should not be exposed to an abrupt termination of EU funds.

The next financial framework needs to be closely connected with the “EU 2020” Strategy objectives. During negotiations, Spain will pay attention to such issues as the financing of immigration policies, research and development, climate change policy and education. Spain will be especially interested in the first two areas. It claims illegal immigration is a threat to the whole EU; and, funds for the innovation area are seen as a necessary means to narrow the technology gap between Spain and the richest EU countries. It would embrace investment in improving the country’s productive structure and job-creating policies. Nonetheless, for Zapatero’s government the “EU 2020” strategy cannot prejudice traditional EU policies recognized in EU treaties. Such areas as cohesion and the Common Agricultural Policy (CAP) remain of vital importance to Spain.

EU Policies of Concern. Spain is a strong supporter of the cohesion policy as an emanation of the solidarity clause and a key tool contributing to EU growth. It is, however, interested in updating the policy in order to match its objectives to the “EU 2020” Strategy aims. The Spanish government claims that every EU region with competition deficiencies, no matter their income and economic prosperity levels, should be eligible for cohesion funds. Spain will struggle to get special attention for the ultra-peripheral territories (e.g., Canary Islands), as well as for recognizing the special status of insular regions (e.g., Balears). It will negotiate transition periods for the regions entering the “competition” group. Then, the Spanish government can call for differentiated treatment for these regions due to the broad disparities between them. Additionally, adequate indicators should be used in assessing the real economic weight of the regions. Spain proposes here, for example, to include unemployment rates.

The Spanish government supports the CAP in its present shape and considers it a strategic EU policy. It assesses positively such CAP capabilities as its control of the internal agricultural market and contribution to the modernization and conservation of rural areas. As a result, the government would like to maintain the CAP funding level in the EU budget. Spain considers forthcoming negotiations on the financial framework as the best platform to talk about the CAP’s future. However, it argues that any discussion beyond the “health-check” (the CAP revision ordered by the EU in 2005) needs to be anticipated by the revision of the existing correction mechanisms. The government also suggests the EU carry out a study of the possible consequences of scenarios without CAP and a reformed CAP. However, it is unlikely Spain will agree to any profound revision in this area.

Conclusions. As a future net contributor to the EU budget, Spain would like to adjust financial obligations to the real economic weight of countries, but also wants to secure the inflow of EU funds. Zapatero’s government probably will seek recognition of the country as an “intermediary” member state that has surpassed the EU average wealth indicators but still has a considerable technology gap when compared to the richest member states. Nevertheless, Spain will have to find consistency between its calls for an equal and simplified contribution system and its desire for special treatments for certain regions (ultra-peripheral or insular ones). Linking the “EU 2020” objectives with a cohesion policy may be the most feasible way to redirect EU funding for Spanish “competence” objective regions.

In the context of the process of the forthcoming negotiations on the EU Financial Framework, it is a little probable that the “friends of cohesion policy group”–an initiative, that embraced *inter alia* Spain and new EU member states during the previous negotiations held in 2005—will be revived. Due to a substantial difference in national interests, Spain’s general support for the cohesion policy will not be sufficient for closer cooperation with such partners as Poland. A disparity of views will appear when discussion on the priorities and conditions of the redistribution of funds begins. However, chances for Spain to collaborate with other countries on detailed issues could be assessed better, after Zapatero’s government presents its position on the European Commission official proposal.