



EconoMag

The Show that demystifies Economics

European Subsidies©

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The European Union is a political and economic association of 28 states (as of 2015). It's a very complicated structure, but the idea in the future is to form some kind of federation or confederation. To achieve this, the countries delegate some sovereign rights to the European Council, and laws are voted on at the European Parliament, which carries out the legislative functions of the EU.

There are 766 members of the EU who represent the countries of Europe. The number of members is representative of the country's population, and a few other specifications. Those countries with the fewest seats are Malta, Estonia, Cyprus, and Luxembourg, with 6 each, representing 0.8% of the EU. Germany has 96 seats, representing 12.8% of the EU, followed by France with 74 seats, and Italy and the United Kingdom with 73 seats each.

The EU receives operational funds from member countries, from which they create the European budget. This budget is used for many purposes, and today, we will look at the different benefits and subsidies that the EU distributes.

Before we get into the actual programs that are funded by the EU, we will take a quick look at the countries that contribute the most to the EU, and those that receive the most. In 2013, the EU's budget was 144€ billion, whereas the total of all the national budgets in the Union came to 6,400€ billion. France is the second net contributor with a total of 21€ billion, which is 18% of the budget, just behind Germany at 20%. In 2011, France was the third highest receiving country, behind Poland and Spain, due mainly to the CAP (Common Agricultural Policy), a subject we'll look at next week on *Economag*.

In the past 15 years, the EU has funded many programs for education, infrastructure, energy, and transport. First, it's important to know that the levels of development of the member countries in the EU vary greatly. For example, Bulgaria, Poland, and Romania are much poorer than Germany, France and the UK. Thus, the less developed of the countries generally benefit from a majority of the EU's programs. Subsidies and programs are granted and administered by the Commission's Directorate-General, Commission offices, and agencies throughout Europe, as well as through other bodies in the EU.

Now, to the programs themselves: As of today, the most important is "Horizon 2020," which is a European program centered on innovation, research, and development for the 2014 - 2020 period. Its budget is 80€ billion and it is also the eighth of the Framework Programs for Research and Technological Development. Its main objectives are to boost industrial output,

promote excellence in the sciences, and to reduce obstacles to social equality through improving development in eastern countries.

Another focus area is energy. In order to reduce pollution, the European Union has put in place a wide variety of programs and benefits to improve and extend the use of renewable energy. The target is that 20% of energy consumption will come from renewable sources by 2020. To achieve this objective, EU countries have first committed to reach their own individual targets; for example 10% in Malta and 49% in Sweden. This shift in focus and resource allocation should create many jobs. Of course this project won't stop in 2020, as there are also targets for 2030 and beyond.

But the European programs and subsidies do not only aim to benefit Europe itself, but also Africa. Launched in 2007, EU-Africa Infrastructure Trust Fund is a cross border and regional plan to build and upgrade existing infrastructure, which is vitally necessary in Africa. This infrastructure takes various forms: schools, water sources, hospitals, roads, and railroad tracks. This is also a way to keep economic agreements in place between countries, for example the France-Afrique structure. This focus on Africa has sparked a great deal of negative feedback from some who say that the EU should focus on the poorer parts of Europe itself, such as Poland or Hungary, before spending money in Africa.

Next time, we will examine the CAP (Common Agricultural Policy), and the other agricultural policies of the European Union, and how they affect countries like France and Poland.