Failure to reach agreement shows Europe's fragility: Italian analysts

by Marzia De Giuli

ROME, Nov. 24 (Xinhua) -- The EU Brussels summit ended Friday without a deal on 2014-2020 spending plans showed "fragility" of the European Union (EU) in times that demand more unity, Italian analysts told Xinhua.

After 24 hours of talks, leaders from the 27 EU member states said negotiations on the EU's trillion-euro budget framework have been postponed until early 2013.

"There was an ongoing trend ... to promote a downward agreement today, a trend to which we opposed," Italy's Prime Minister Mario Monti told a press conference at the end of the summit.

However, the special meeting still showed a sufficient degree of potential convergence to make a deal possible in the beginning of next year, he said.

While wealthier Britain and Sweden were demanding budget cuts of up to 200 billion euros (260 billion U.S. dollars) and Germany was in favor of a moderate cut in times of budgetary consolidation, a bloc including Italy and France was resisting cuts. Less developed members came with their own national agenda.

President of European Council Herman Van Rompuy's compromise proposal to cut around 80 billion euros triggered debates but did not lead to any agreement, with the EU leaders remaining largely at odds.

"The multiannual financial plan is to decide the ceiling and structure of spending over a seven-year period, which also shapes the EU priorities," an author and senior fellow at Rome-based Institute of International Affairs (IAI), Michele Comelli, told Xinhua.

Comelli said that an "accountant view" has become common among the EU recipients and contributors, weakening the bloc's "sense of community," since Britain and then other countries have started demanding rebate in the 1980s.

In his view, instead of "only aiming at getting back what they pay, it would be more useful for European countries to ensure that their money are well invested for a better functioning of the union thus improved benefit of citizens."

"The nationalistic attitude has become a structural problem, which adds to opposing arguments on how to fix the current economic crisis and save the European future," the expert pointed out.

As a result, noted an international economics professor at La Sapienza University of Rome, Paolo Guerrieri, "The policy priority at the summit was to redistribute wealth instead of create it, which is a dangerous risk for Europe's future."

An evidence of this, Guerrieri noted, was that all leaders have agreed to cut the funds for innovative investment sectors stimulating growth, such as the so-called "digital agenda," while still turning to the traditional sectors, which in his view are also important but less growth-oriented.

"Speaking of more Europe while refusing more resources is an even more serious contradiction if we think that the EU budget is very poor," he said.

"Europe should become adult through its budget, but is not able to do that, despite it only accounting for 1 percent of the EU gross domestic product. Just think that the U.S. budget is 20 percent of GDP," Renato Brunetta, an economist and Italy's former public administration and innovation minister, told Xinhua.

"With just 1 percent of GDP, which moreover is not often destined to growth-oriented policies, there is little to do, and this says a lot about Europe's fragility," he stressed.

In the former minister's view, "the EU budget has nothing to do with the economic crisis. Rather, it is an old story of nearsightedness and national egoisms."

Brunetta said that in the end a "downward deal" will be reached, marking "another bad chapter in the European history." He added that Italy, a net contributor of the European budget, will "lose out from the agreement."

Angelo Drusiani, a fund manager at Milan-based Albertini Syz & Co., expressed concerns that the missed agreement could add instability to international markets.

"The sharp division between virtuous and less virtuous members makes Europe and its single currency region act more and more dangerously in times of unfair competition in the financial markets," he said.

The analyst called himself confident that the EU members will be able to reach an agreement by the beginning of next year, "which it is the most convenient outcome for all of them, including wealthier economies such as Germany."

However, Drusiani said, much will depend on Monday's Eurogroup meeting on whether to approve the next batch of bailout funds to Greece after EU finance ministers failed to reach an agreement earlier this week. (1 euro = 1.30 U.S. dollars)