The EU's proposed budget and its implications for European integration

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ARL AKADEMIE FÜR RAUMENTWICKLUNG IN DER LEIBNIZ-GEMEINSCHAFT

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The great polarisation

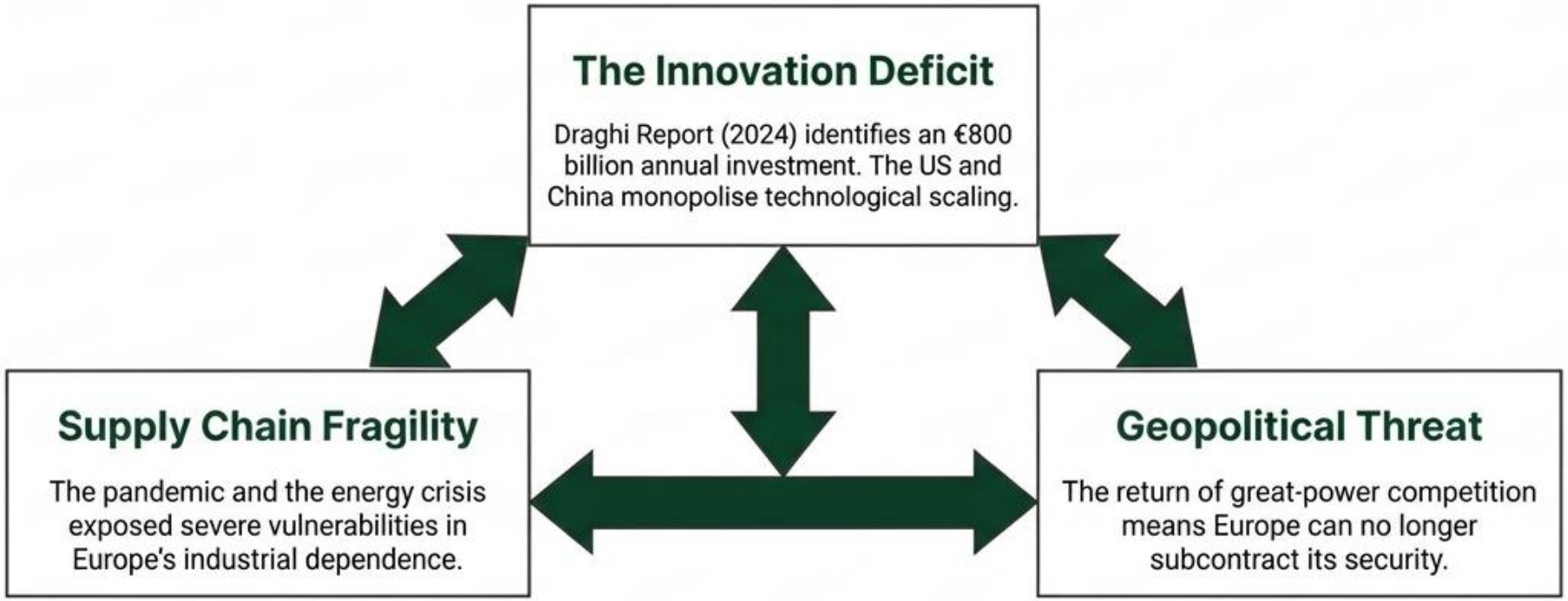
The proposed Multiannual Financial Framework 2028-2034 is the most sweeping overhaul of the EU Budget in history

Designed to achieve European competitiveness, to increase security, and to reach strategic autonomy

It risks fracturing the EU's territorial cohesion, punishing vulnerable regions and undermining the competitiveness & political legitimacy of the European project

1.
The proposed reform

A Union under siege

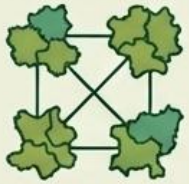


Key Insight: Europe is living off **inherited capital**, and the stock is rapidly depleting.

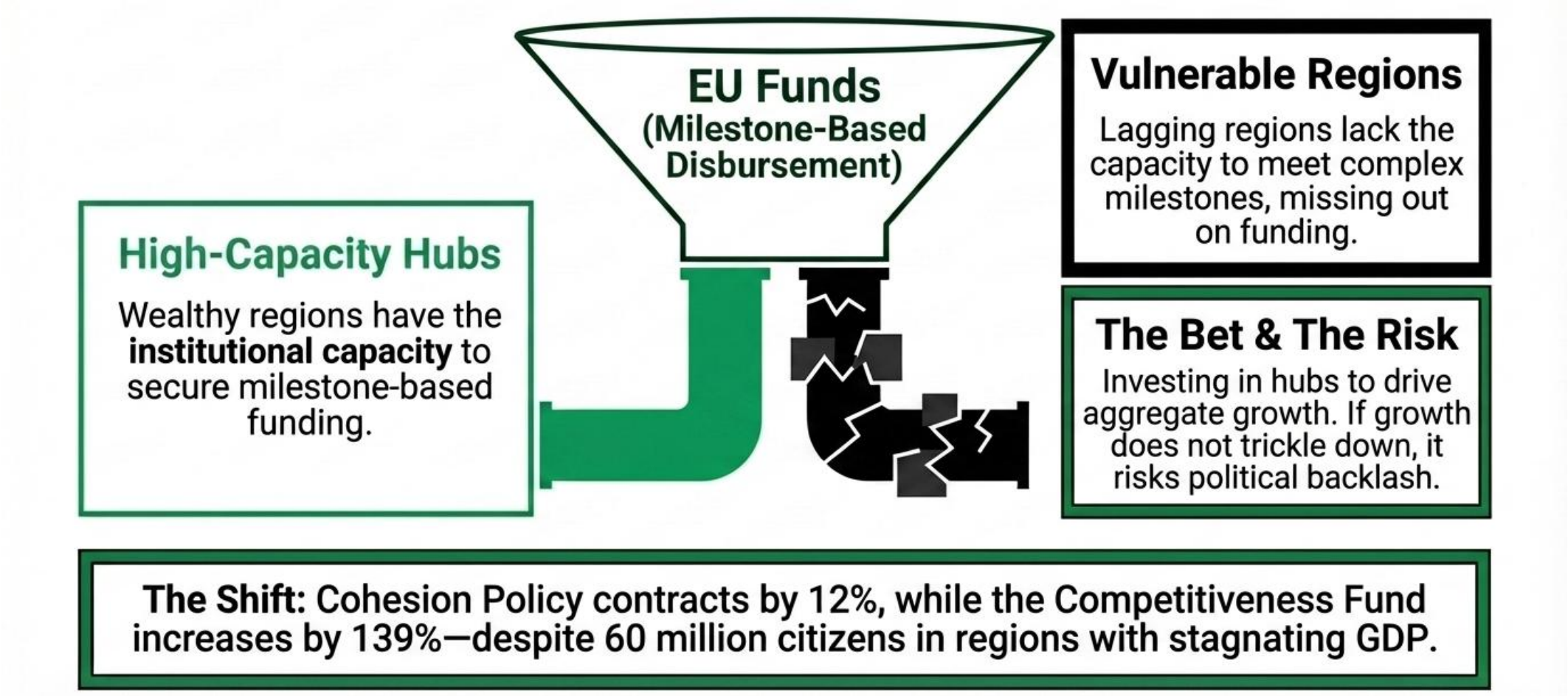
MFF 2028-2024 (1.26% of EU GNI)

Competitiveness & Security	Consolidation	Performance-Based Delivery	Flexibility
€409 billion European Competitiveness Fund + €115.7 billion for defence and space. A geopolitical budget.	14 previously ring-fenced funds (including ERDF and ESF+) absorbed into National and Regional Partnership Plans (NRPPs).	A decisive shift away from cost-reimbursement to milestone-based financial disbursement, modelled on the RRF.	Fewer rigid programmes, greater unprogrammed resources, and central steering to absorb sudden geopolitical shocks.

The change in architecture

THEN: Europe of Regions	NOW: Europe of Nations
 **Funding Mechanism** **Ring-fenced** regional allocations based on territorial need (The Berlin Formula).	**Funding Mechanism** Sectorally driven, consolidated national envelopes.
Governance Structure **Multi-level, place-based shared management** involving local actors, encouraged participation and **ownership**, more democratic.	**Governance Structure** **Centrally negotiated milestones** between Finance Ministries and Brussels.
Core Philosophy **Development of all territories,** mobilising the potential of lagging-behind places for automatic convergence.	**Core Philosophy** **Subordinating regional cohesion** to **aggregate, national competitiveness.**

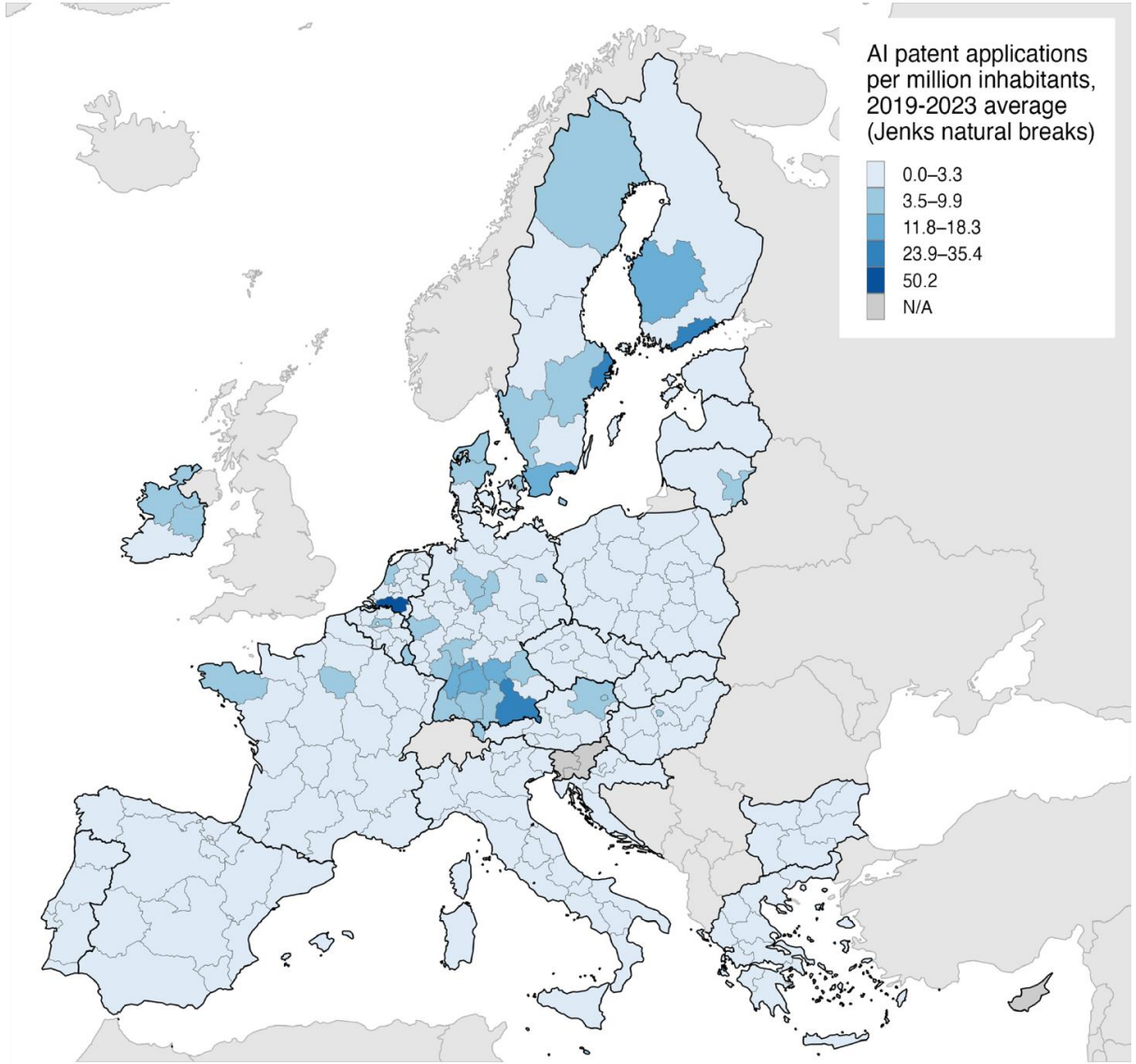
The regressive turn in investment



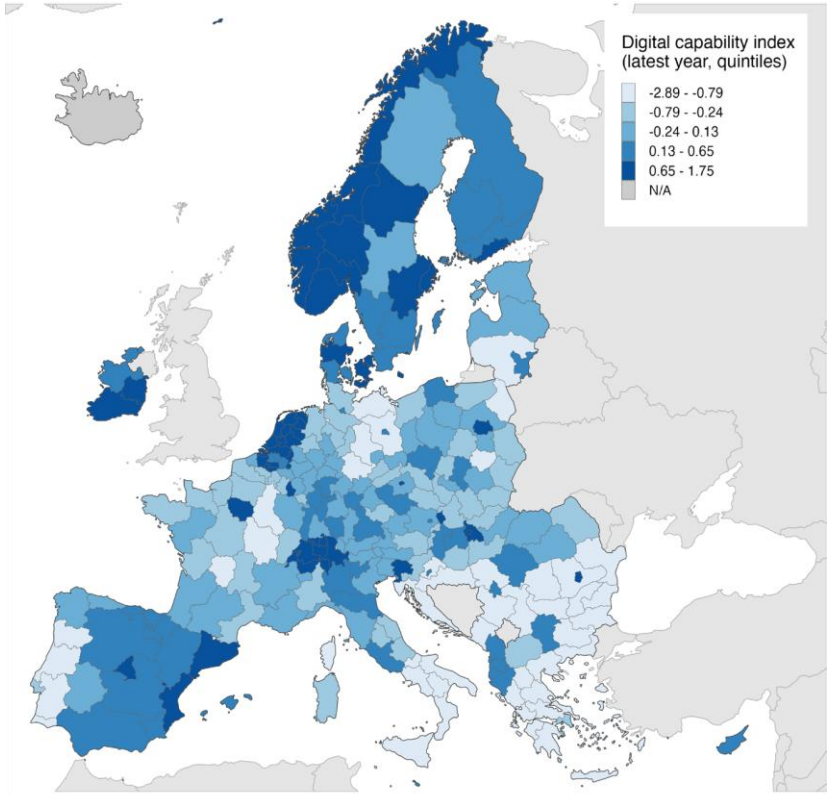
2.

The focus on competitiveness

Geography of AI generation

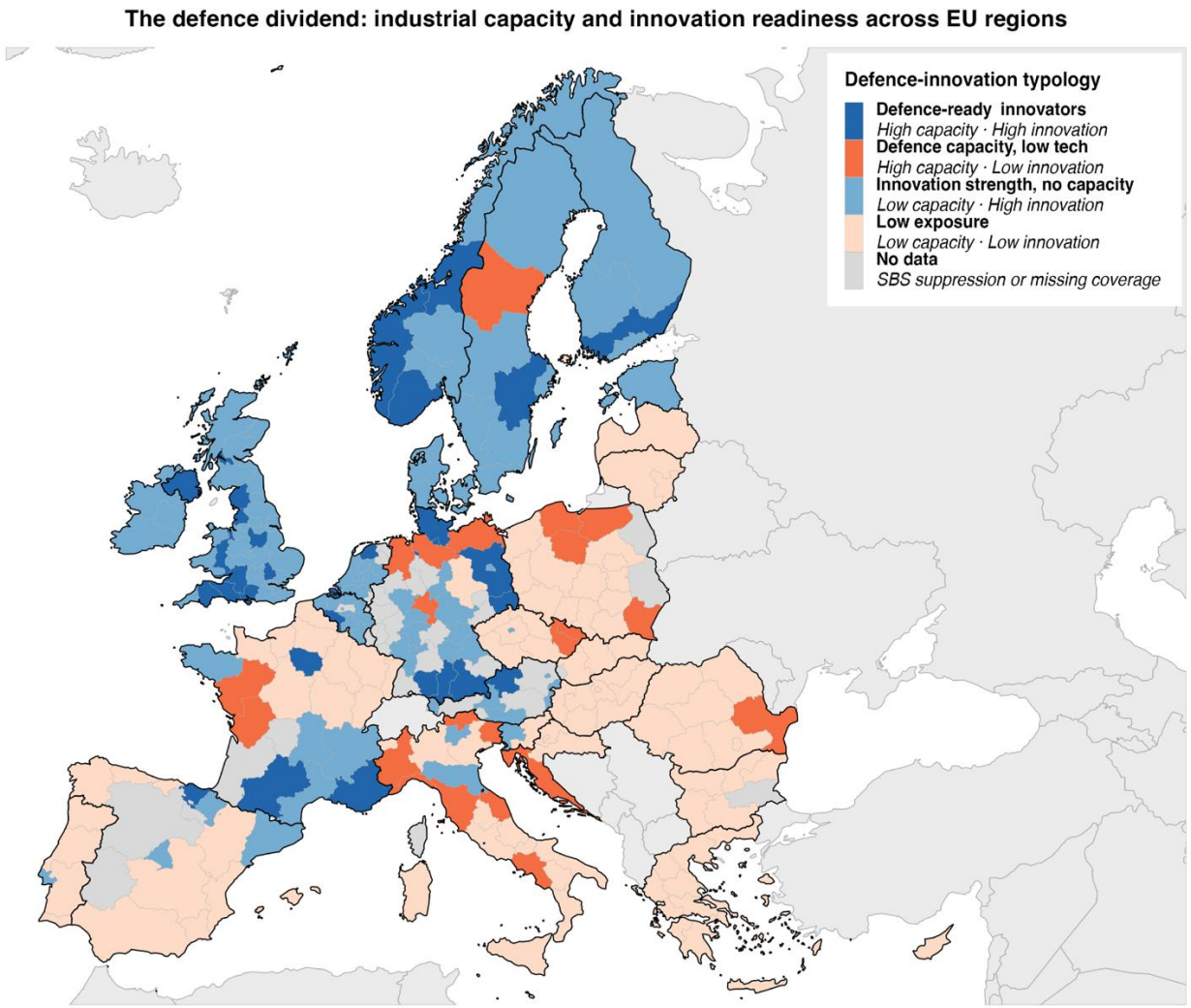


Looking at what Europe lacks rather than what it has



Data: Eurostat & Authors' calculations

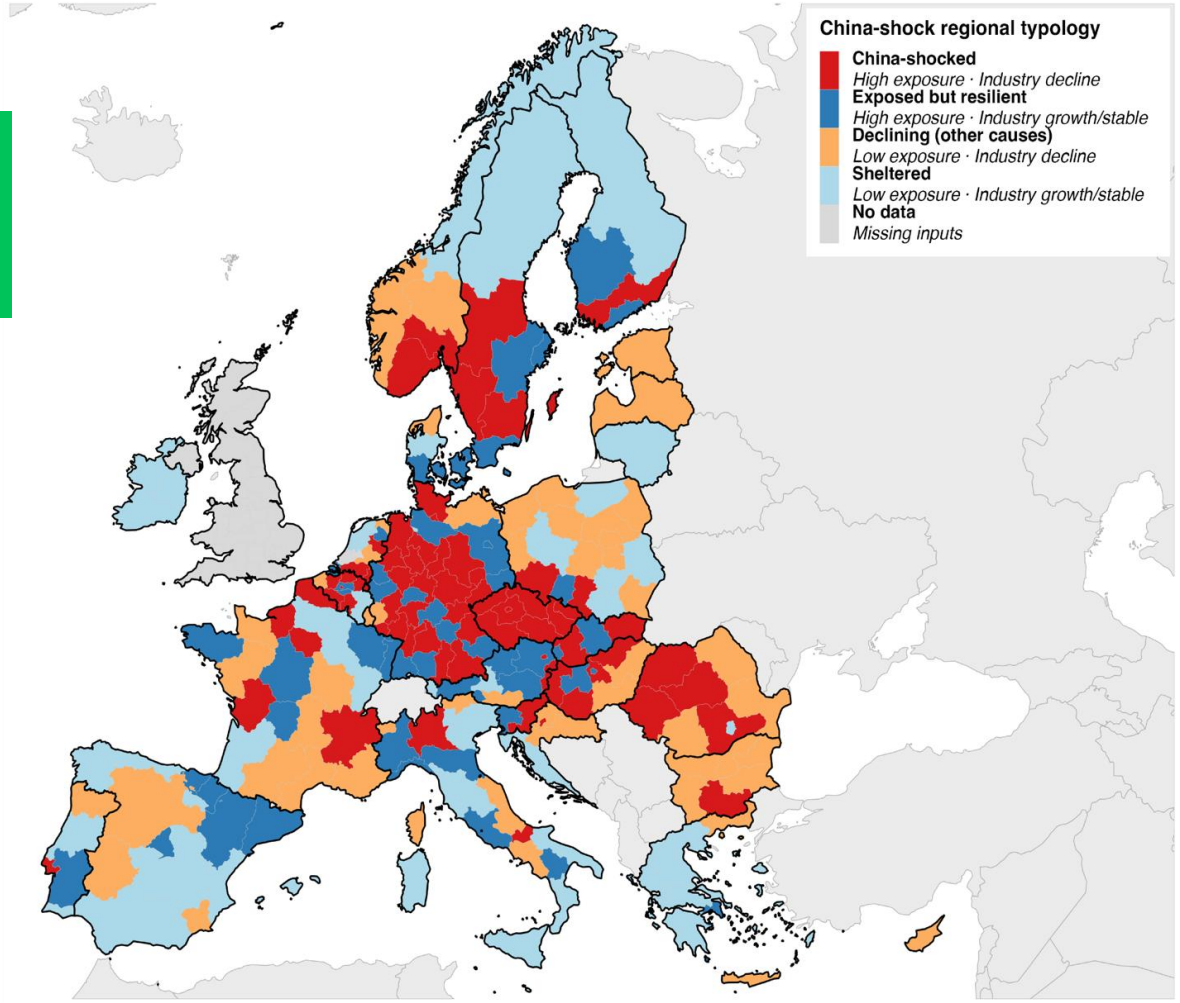
Geography of the defence dividend



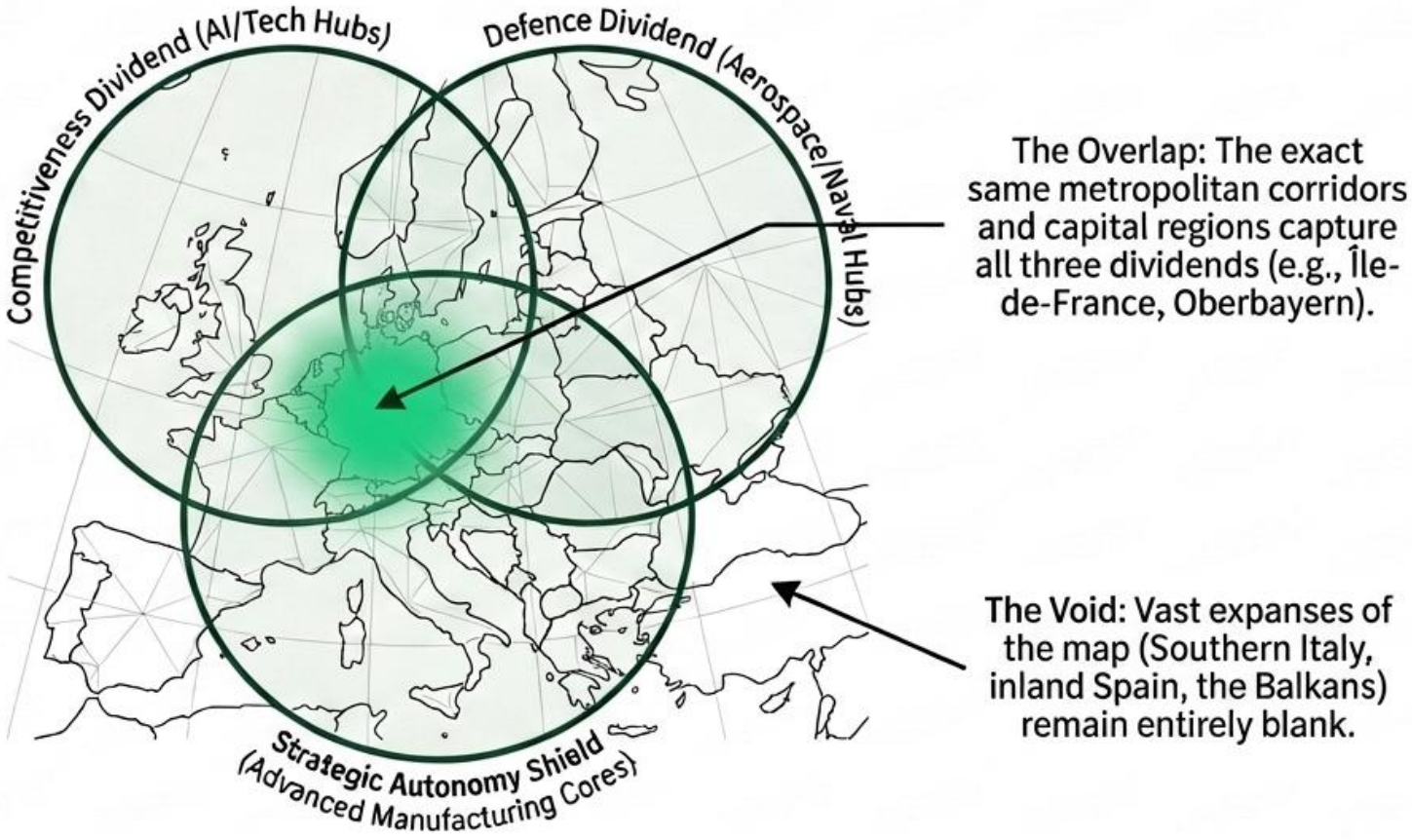
Geography of strategic autonomy

The China shock in Europe

The regional China Shock: import exposure and industrial trajectories, 2019–2024



The cumulative geography of polarisation



Advantage stacks. 'It doesn't rain but it pours.' The proposed MFF directs three distinct streams of massive funding into the exact same advantaged postcodes.

Against the grain of development & economics

Two rules, both violated

THE RULE OF DEVELOPMENT

Build on what you have

Regions thrive by building on their historical, path-dependent strengths, not by starting from scratch.
Reinvention is faster, cheaper and more durable when it starts from somewhere.

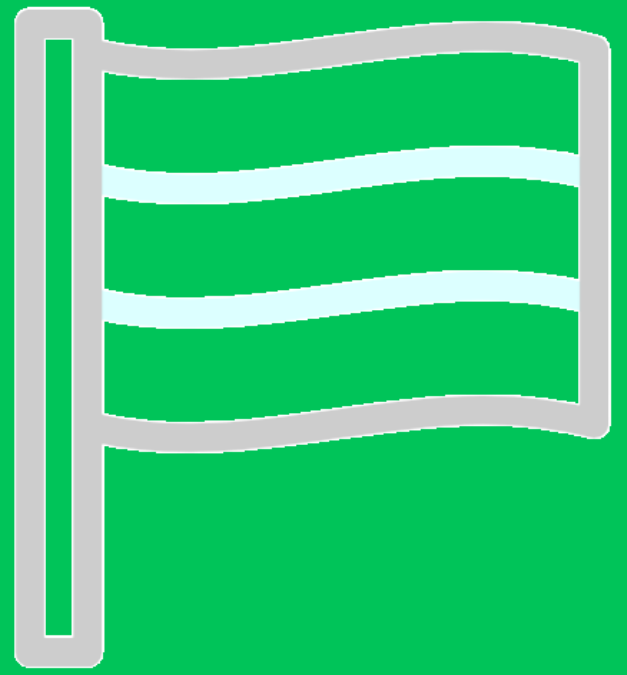
THE RULE OF ECONOMICS

Pursue your comparative advantage

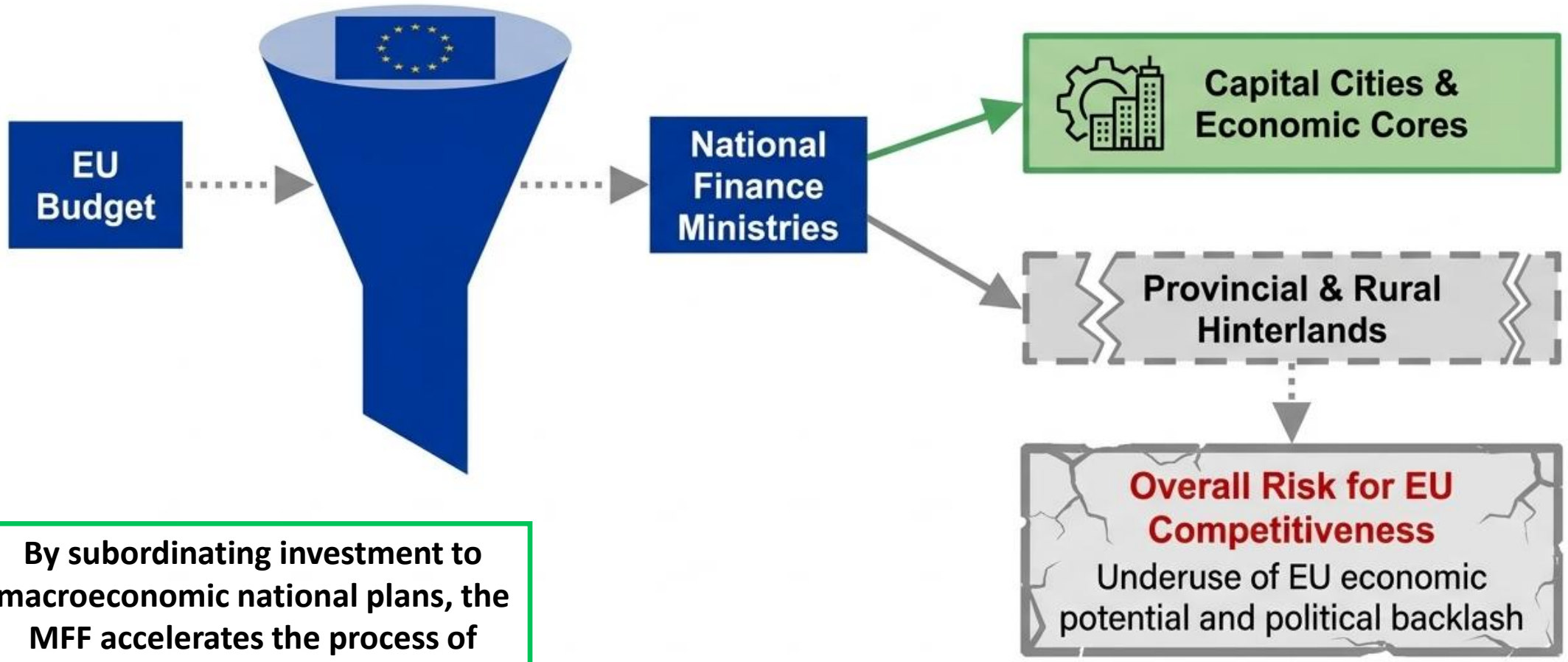
Following Ricardo, prosperity comes from specialising where a place holds genuine comparative advantage, not from imitating a rival's.

3.

Renationalisation

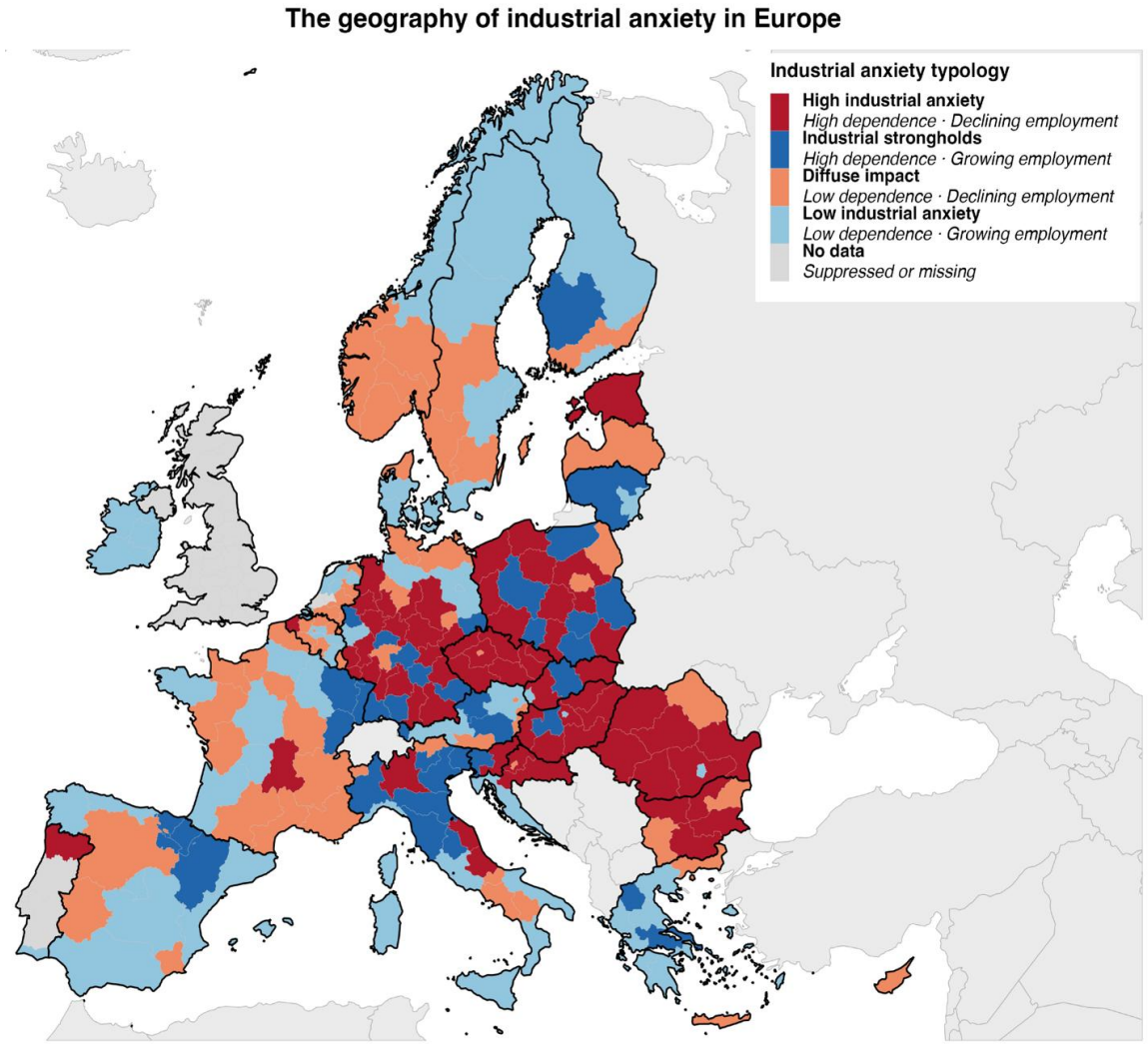


The nationalisation of funding



By subordinating investment to macroeconomic national plans, the MFF accelerates the process of divergence within countries

The geography of industrial anxiety



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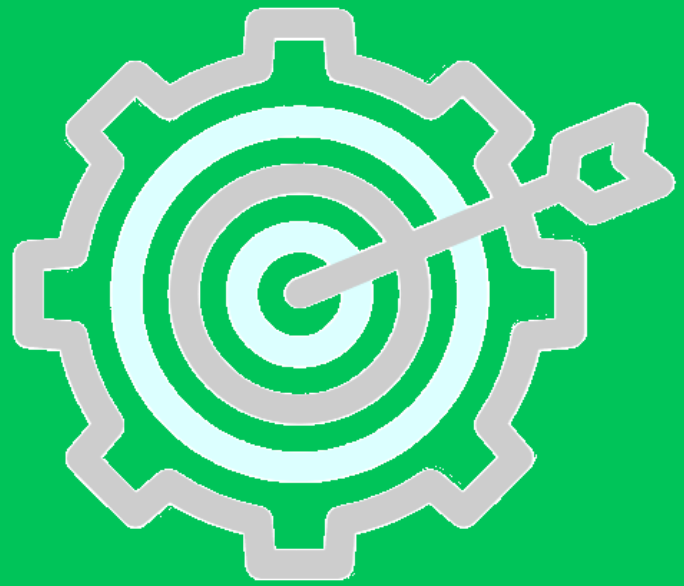
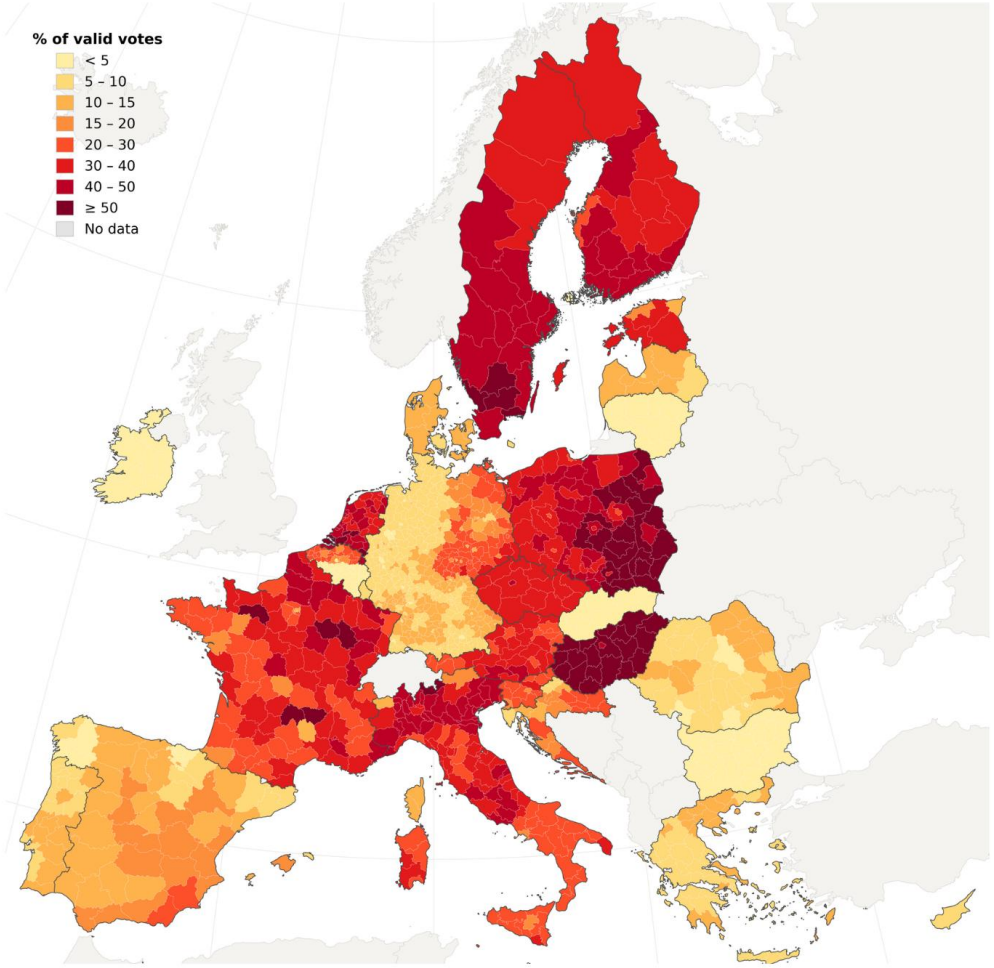
The consequences



Geography of Euroscepticism

One-third of Europeans are already voting for Eurosceptic parties

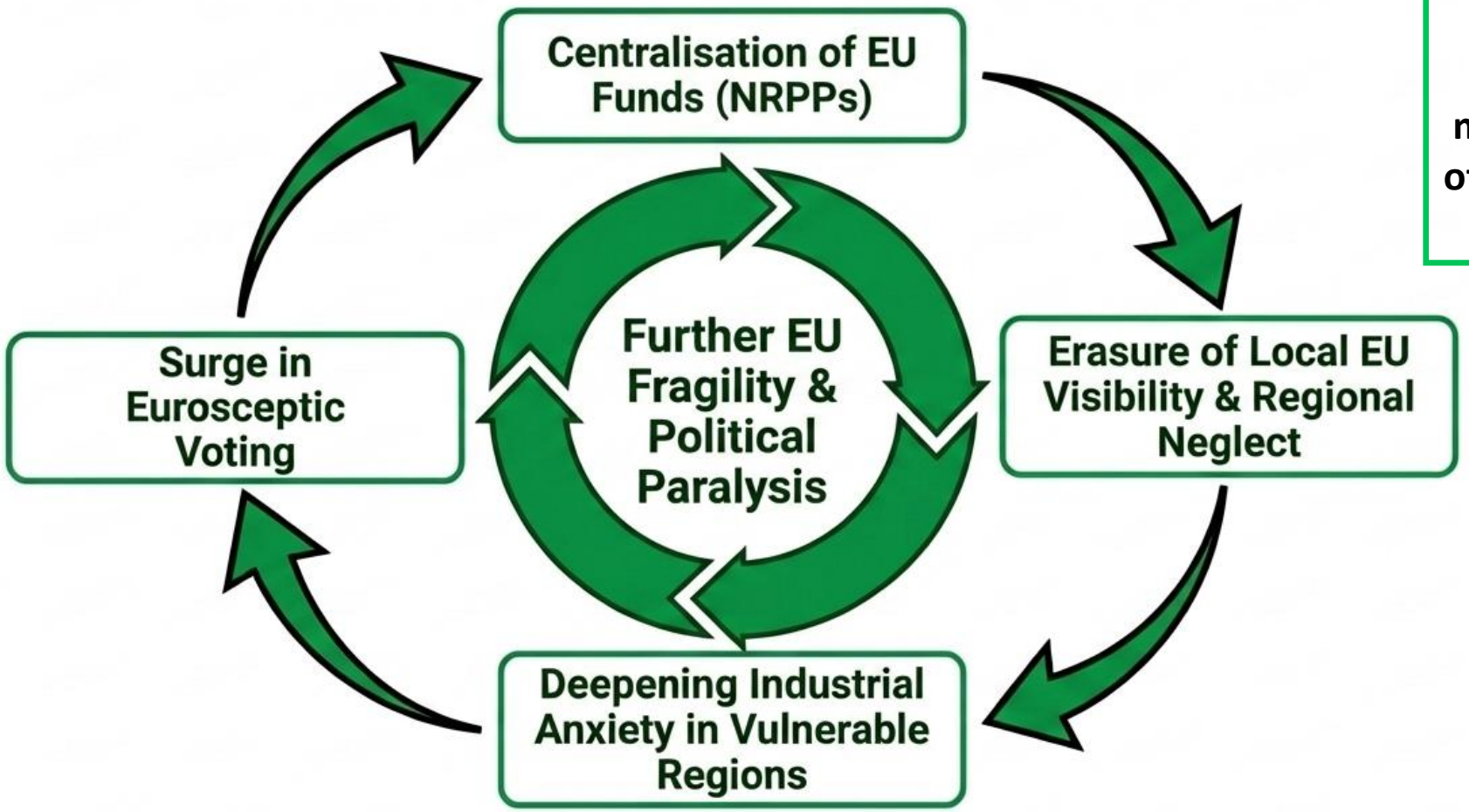


Share of votes for right-wing anti-system parties (LRGEN ≥ 7.5, CHES 2014–17), as % of valid votes.

Source: author's elaboration on regional electoral returns. Boundaries: © EuroGeographics for the administrative boundaries (Eurostat–GISCO, NUTS 2021, 1:3 million).
1,154 NUTS-3 regions mapped across 27 EU member states. The French overseas departments, the Azores, Madeira and the Canary Islands are not shown.

National legislative elections covered: AT 9 October 2022, BE 18 May 2023, BG 2 April 2023, CY 30 May 2021, CZ 8 October 2021, DE 26 September 2021, DK 1 November 2022, EE 5 March 2023, EL 25 June 2023, ES 23 July 2023, FI 2 April 2023, FR 12 June 2022, HR 5 July 2020, HU 3 April 2022, IE 8 February 2020, IT 25 September 2022, LT 11 October 2020, LU 8 October 2023, LV 1 October 2022, MT 26 March 2022, NL 22 November 2023, PL 15 October 2023, PT 30 January 2022, RO 6 December 2020, SE 11 September 2022, SI 24 April 2022, SK 30 September 2023

Towards political paralysis

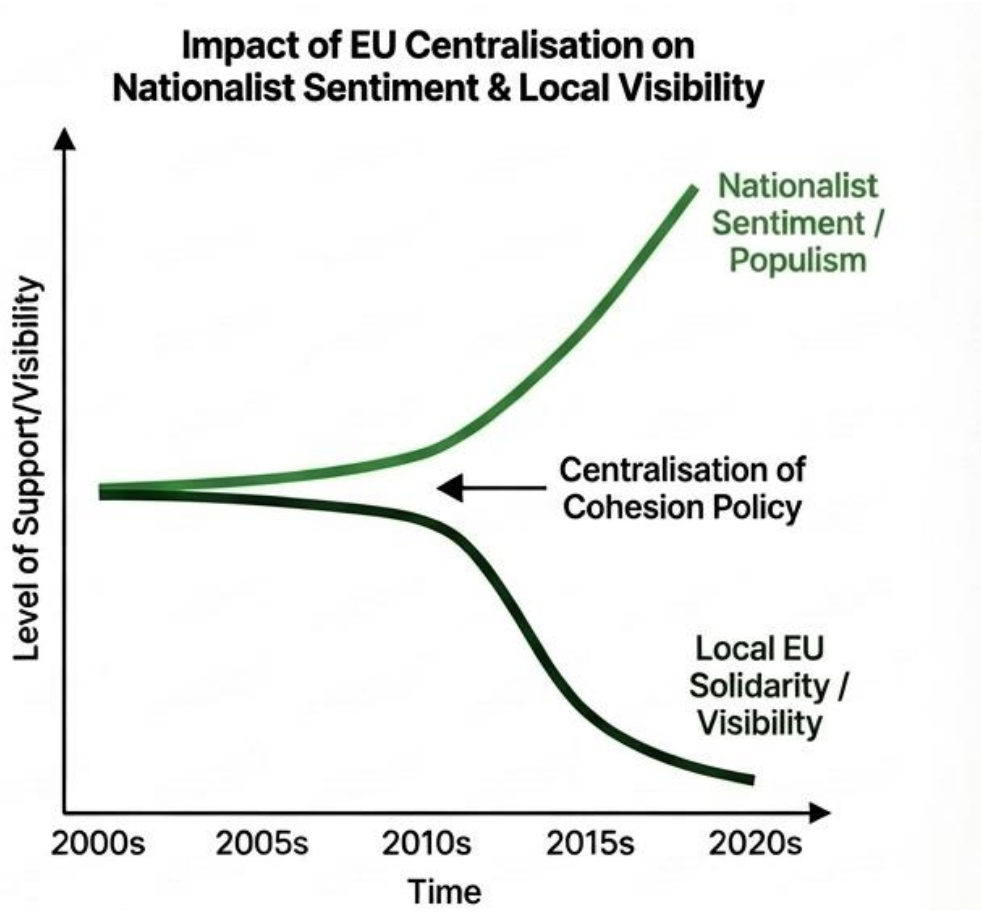


The paradox of the reform is that it dismantles the EU's most visible instrument of voice and participation at the precise moment when a rising geography of discontent threatens to tear the Union apart

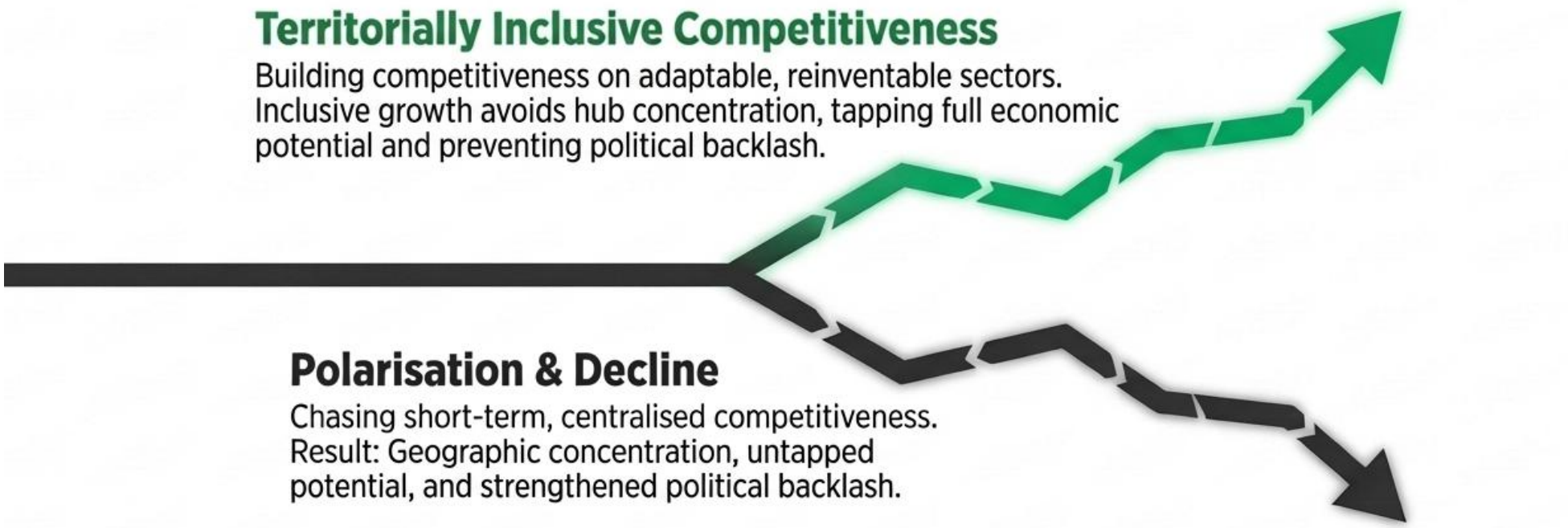
Adopting the Eurosceptic playbook

Nationalists demand repatriation of EU power to national capitals.

Centralising Cohesion Policy erases direct local-EU links. This unintentionally enacts the anti-EU agenda, surrendering local solidarity to populists.



The fork in the road



Europe need not choose between cohesion and competitiveness. True strategic autonomy is impossible while leaving a third of citizens and territory behind.

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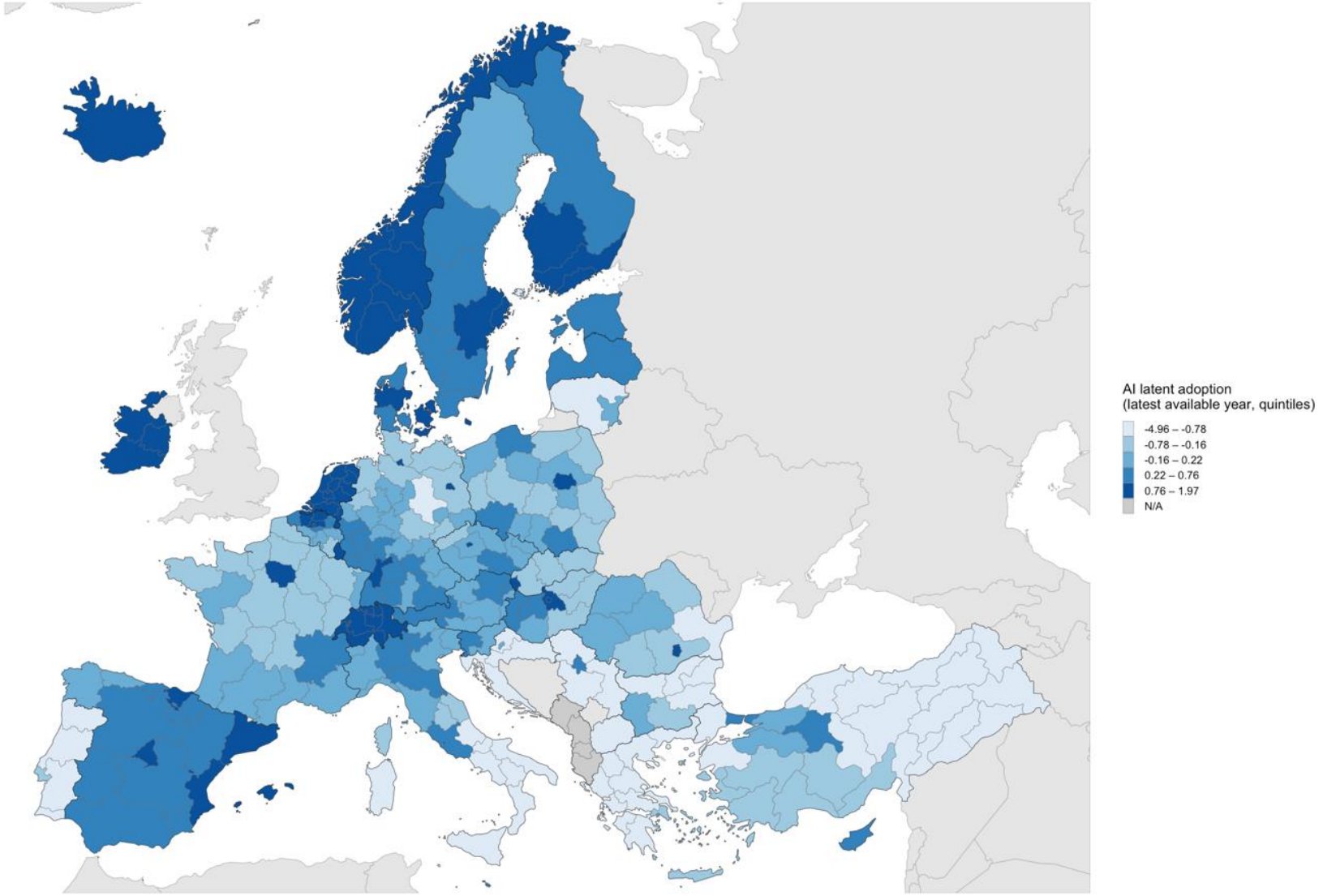

Data: Eurostat & Author's calculations