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## MACRON AND THE FINANCING OF THE EU BUDGET

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President Macron's speech, given at La Sorbonne University, calling for an "[Initiative for a sovereign, united, democratic Europe](#)" since "only Europe can give the means to act on the world stage as we tackle the great challenges of the day", introduces some significant innovations. Since his inauguration at the Élysée Palace, Macron has already stressed the need to introduce a Eurozone budget ("because Europe needs more investment and means of stabilisation to confront economic shocks") and create the role of a Minister of the Economy and Finance to manage the euro area's economic policy. However, in his speech at La Sorbonne University, he advanced major, specific proposals, particularly on the budget issue.

He not only pointed out what objectives a European budget must pursue: "reduce our differences and develop our common goods: security, protection with respect to migration, digital transition, ecological transition, a genuine development and partnership policy and, above all, our currency", but he also stressed that the production of these common goods must be financed. He argued that "European taxes in the digital or environmental field could be a genuine European resource to finance common expenditure". In addition to these forms of taxation, he proposed reflecting on the possibility of "partly allocating at least one tax to this budget, such as corporate tax once it has been harmonised".

Regarding taxes in the digital sector, Macron strongly emphasised that, in an integrated world, competition should be fair. For this reason "it is unacceptable to have European actors who must pay taxes and international actors who do not, digital actors who pay no taxes and who compete with traditional economy actors who do pay taxes". In fact, regarding the web tax, something is already happening. At the informal ECOFIN meeting in Tallinn, the Ministers of the Economy from Germany, France, Italy and Spain proposed the introduction of an equalisation tax on turnover generated from digital companies in Europe, and, along with another six countries (Austria, Bulgaria, Greece, Portugal, Romania and Slovenia), signed a [political declaration](#) emphasising the need to proceed rapidly and asking the Commission to submit a legislative proposal. The Commission then presented an initial Communication ([A Fair and Efficient Tax System in the European Union for the Digital Single Market](#)), in which it examined the various possible options for introducing this type of tax.

Macron also expressed his hopes that partnership with Africa will become a central element for the rebuilding of the European project and, in order to find the necessary resources, he proposed "relaunching the project for a European financial transaction tax with a new basis". Macron noted that the UK has already introduced a similar measure – the stamp duty – and that "if we collectively decide to adopt the British tax, no one can say that it will create competitive disadvantages for the European Union." A similar tax, at a moderate rate but a broad taxable base, could thus be a first step to introduce a financial transaction tax intended to provide significant resources to the European budget.

However, the most important element in Macron's speech regarding resources to finance the European budget is certainly the carbon tax. The French President stressed above all that "a key to regaining our European sovereignty is being able to address the first of the major global transformations, the ecological transition. This transformation is revolutionising the way we produce, distribute and behave. Europe must be a pioneer in an effective and equitable



ecological transition. To this end, we need to transform our transport, our housing, our industries. However, in the coming years, if we do not have a significant price per tonne of carbon so as to allow a fundamental reorientation of our economies, then our efforts will be futile”.

On this basis, Macron advanced concrete proposals on three levels. The first concerns the price to be charged on CO<sub>2</sub> emissions which, to be effective, must not be less than 25-30 Euros per tonne. It is the minimum price to promote the transformation of the European economy, support the sectors in difficulty in the ecological transition and help the regions that will suffer from the transformation of production structures. A carbon tax fixing a minimum price equal to 25-30 Euros is already able to yield revenues ranging from 55 to 66 billion Euros in EU27, with an impact on fuel price of about 0.11 Euros per liter.

The second goal put forward by Macron is the creation of a European energy market that really works. In this perspective, the management of European energy policy should be framed in a new Environment and Energy Union (EEU), resulting from a Euratom transformation. Junker, in his [“letter of intent”](#) connected to his State of the Union speech, also proposed a review of the future of the Euratom, announcing a Communication to be presented by the Commission on this issue that includes it.

Within the framework of the EEU, a carbon tax could play a role similar to that provided for in the ECSC Treaty which under Article 49 authorised a levy on coal and steel production, intended to finance the restructuring of production in these areas. Therefore, a carbon tax may be conceived not only as a tool for correcting the negative externalities linked to fossil energy consumption, but also as a levy aimed at supporting research and production in the field of renewable energies while facilitating major structural transformations linked to the reduction of traditional production sectors that use fossil fuels and the progressive restructuring of the nuclear industry, as well as supporting the conversion of the labour force employed in declining sectors.

However, according to Macron, the introduction of a carbon tax – and this is the most significant proposal – will be politically acceptable only if “the European industries which are more exposed to globalisation are on an equal footing with competing companies from regions throughout the world that do not have the same environmental requirements. That is why a European border carbon tax is crucial”. So Macron sets out how to avoid problems of carbon leakage and loss of competitiveness for European production in order to make the ecological transition effective by steering Europe towards a new model of sustainable development.

In conclusion, Macron’s speech is at the same time visionary and realistic, and it seriously addresses the problem of the financing of the Union’s budget in order to achieve the structural transformations needed to make the European economy capable of successfully addressing competitive challenges in a post-industrial world.

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(The opinions expressed here are those of the author and do not necessarily represent the CSF)

