THIRD EUROPEAN THINK TANK FORUM

Europe 2005-2025: Visions and Contributions from Think Tanks

"What European Policy Outlines for 2020 ?"

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in partnership with

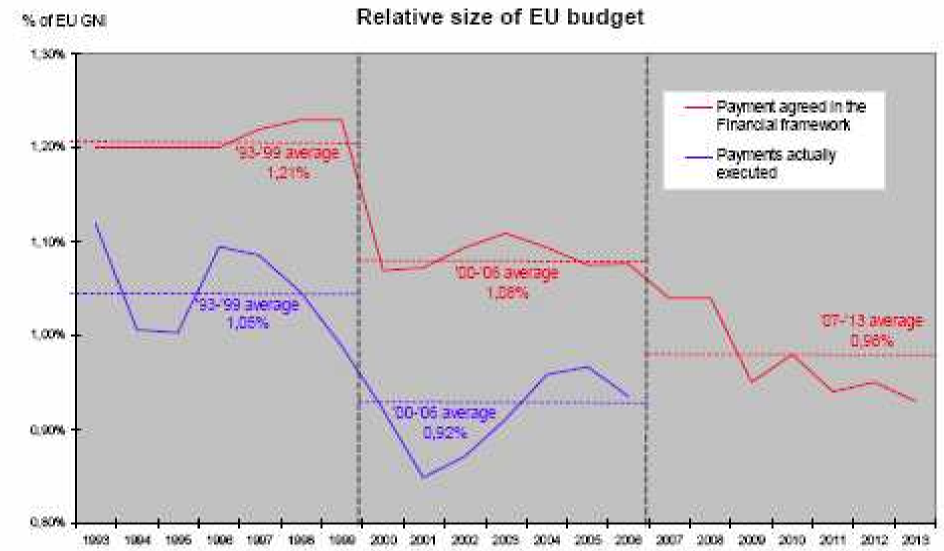
Beyond the crisis caused by Ireland's rejection of the Treaty of Lisbon and the priorities set by the French Presidency of the Council of the European Union, another major milestone for the future of Europe lies on the horizon for the 2008-2009 period: reviewing common policies and their financing. The Heads of States and Governments at the European Council meeting of December 2005 asked the European Commission *"to undertake a full, wide ranging review covering all aspects of EU spending, including the CAP, and of resources, including the UK rebate, to report in 2008-9"*. By programming these budgetary discussions, the Member States have laid down the terms of a wider debate on the future of EU policies. This is the real question: the European budget is not just a financial instrument; it is the expression of a shared desire and a European project common to the 27 Member States.

To contribute to collective discussions and the European debate today, Institut Aspen France is organizing its third **European Think Tank Forum** in Paris on **September 19th and 20th, 2008,** in partnership with *Notre Europe* and the *Fondation pour l'Innovation Politique*. Following a method that has already been applied twice, high-level leaders from the public and private spheres will be given the opportunity to talk and construct a common approach for a review of European policies in the context of preparing for new financial perspectives, as the basis of a new European project.

This working document provides an overview of the fundamentals of the European budget, presents the main stakes of the 2008/2009 budget review and situates them within the outlook of the main challenges facing Europe between now and 2020. Its objective is to inform and encourage reflections which could contribute to discussions at the **Third European Think Tank Forum**.

European budget: the fundamentals

The European budget is an essential instrument for the European Union to carry out its policy objectives. It is large in absolute terms (over 100 billion euros a year), but small in relative terms as it only amounts to approximately 1% of the EU's GNP (gross national product) and 2.5% of all European public spending[1]. The budget has increased in real terms since the 1980s, but its relative size compared to GNI (gross national income) has decreased, even though the EU has grown and has taken on new responsibilities.



Source: Communication on "Reforming the Budget, Changing Europe" (SEC (2007) 1188 final))

The structure and size of the budget have undergone changes over time. At the start of the integration process, each of the three European Communities had its own budget. The first budget of the European Economic Community (EEC) was very small and only covered administrative expenses. On the other hand, the European budget today is essentially dedicated to financing community policies. Administrative expenses (personnel costs and expenditure on buildings) only account for approximately 5% of the budget.

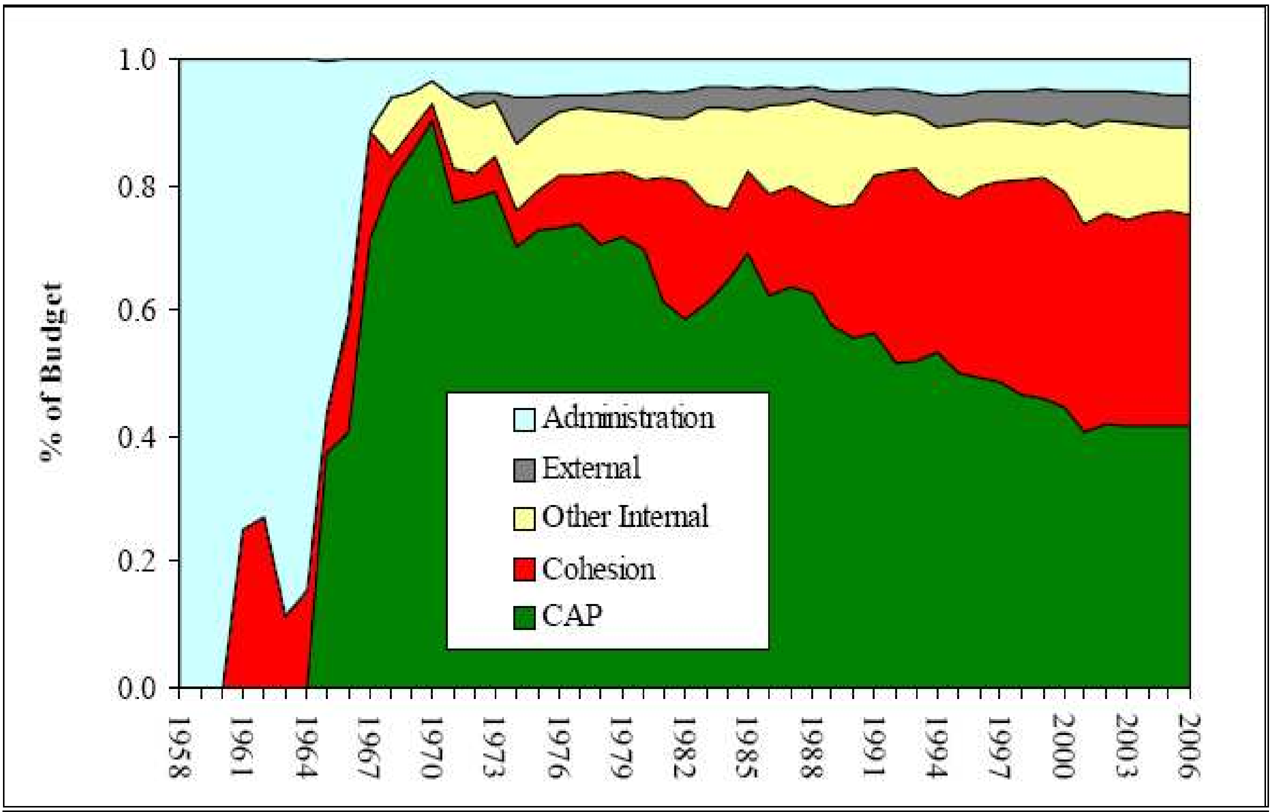
The profile of community spending has also changed considerably. The table below shows the evolution of European expenditure by category over time (from 1956 to 2006). As can be seen, during the 60s and 70s, the EU budget was essentially dedicated to financing the Common Agricultural Policy (CAP), payments to which reached nearly 90% of the budget in the early 70s. The relative share of agricultural spending in the EU budget has decreased constantly since then, but it still accounts for nearly 40% of community expenditure. Alongside this decrease, it should be pointed out that there has been an internal redeployment of CAP spending. Since 2000, the funds traditionally allocated to income support measures have been shared with the second pillar of the CAP. Dedicated to agro-environmental measures, installation, modernization and rural development, this pillar's share of the CAP budget increased in relative terms (from 12% of the CAP in 2000-2006 to 20% in 2007-2013) but decreased in absolute terms.

In 1965, only 6% of the European budget was dedicated to what would become the cohesion policy, which at the time only included spending on the European Social Fund. In 1974, after the first enlargement (accession of the United Kingdom and Ireland), the European Regional Development Fund (ERDF) was set up. Spending on regional policy then grew, accounting for 10.8% of the budget in 1985. But the real expansion of this budget item occurred in the 90s, following the 1988 reform of the Structural Funds. Thus, the resources allocated to cohesion policy doubled once, following the adoption of the Single European Act and the accession of Spain and Portugal ("Delors I Package"), and a second time in 1993, following the agreement on the transition to the Economic and Monetary Union. After that, following the two enlargements to the countries of Central and Eastern Europe, spending on cohesion has continued to

[1] Bertoncini, Yves, *La révision du budget de l'Union Européenne: pour une analyse politique globale*, Horizons Stratégiques, Number 5, July 2007, Centre d'Analyse Stratégique.

rise but to a lesser extent. It is now leveling off. While the operating principles, notably co-financing and multi-annual programming, have remained basically the same since 1989, the budgetary structure has evolved.

Lastly, financing for other policies has always been very limited. In 2006, only 7% of the budget was dedicated to other internal policies (notably including spending for research and innovation, education and infrastructures). External EU actions account for just 4.3% of total expenditure.



Source: Baldwin, Richard, *The Real Budget Battle: Une crise peut en cacher une autre*, June 2005

For the 2007-2013 period, the Commission had proposed to redeploy resources to new objectives. Notably, the Commission's goal was to focus budgetary efforts on three fields of intervention: promoting competitiveness and employment (new heading 1a, "competitiveness for growth and employment"), the measures on "citizenship, freedom, security and justice" (new heading 3, including interventions in the areas of immigration, terrorism and judiciary cooperation, but also actions in the areas of public health and consumer protection) and external EU action (heading 4, "the EU as a global partner"). The Commission also planned to increase the total amount of community spending: thus, the budget for the 2007-2013 period was supposed to account for 1.14% of the EU's GNP, a substantial increase over the 2000-2006 period (1.08% of GNP).

The final agreement on the 2007-2013 financial framework, approved by the Council in December 2005 and barely modified by the Parliament in May 2006, differed notably from the Commission's initial proposal. Firstly, the size of the budget is well below what the Commission had requested: it only amounts to 1.05% of the EU's GNP, and was therefore smaller in relative terms than in the 2000-2006 period. Moreover, the redeployment of resources to new objectives, while real, was less than what the Commission had requested (see table 1). Consequently, the profile of community spending did not change considerably compared with the 2000-2006 period (see table 2).

Table 1. Financial perspectives for 2007-2013. The Commission proposal and the final agreement
(in EUR billions)

Financial Framework Headings	Commission proposal (14 February 2004)	Final result (inter-institutional accord, May 2006)	Difference final agreement– Commission proposal (%)
1a- Competitiveness for growth and employment	121.6	74.1	- 39.1
1b-Cohesion for growth and employment	336.3	308.1	-8.4
2- Preservation and management of natural resources	400.2	371.3	-7.2
3- Citizenship, freedom, security and justice	20.9	10.7	-48.6
4- The EU as a global partner	87.8	49.4	-43.7
5-Administration	57.6	49.8	-13.6
6-Compensation Total spending (% GNI)	240 1.025	800 864.3	+233.3 -15.7

Source: Schild, Joachim, *How to shift the EU's spending priorities? The multi-annual financial framework 2007-2013 in perspective*, Journal of European Public Policy 15:4, June 2008, 531-549.

Table 2. Community spending profile: comparison between 2000-2006 and 2007-2013
(in commitment appropriations)

Financial Framework Headings (in % of the total - 2004 prices)	2000-2006* average	2007-2013 average
1a- Competitiveness for growth and employment	6.1%	8.6%
1b- Cohesion for growth and employment	38.4%	35.6%
2- Preservation and management of natural resources	44.5%	43%
3- Citizenship, freedom, security and justice	0.8%	1.2%
4- The EU as a global partner	4.5%	5.7%
5-Administration	5.1%	5.7%
6-Reserves	0.005%	---
7-Compensation	0.5%	0.1%

*Calculations are from CAS. As headings 1a and 3 are new, the comparison of figures with the 2000-2006 overall appropriations gives rough estimates provided for informational purposes.

Source: Yves Bertoncini, *"Le budget de l'Union Européen : quelques enjeux centraux de la révision de 2008-2009"*, Note du CAS, July 2007.

The 2008/2009 budgetary review: a historic opportunity not to be missed

The European budget review exercise, initiated in September 2007 based on a Commission framework document (communication on "Reforming the Budget, Changing Europe") provides a unique opportunity to undertake an in-depth discussion of community spending. Need this be pointed out? This exercise is exceptional in more than one way. Not only is it the first time that the Commission receives such a wide-ranging mandate to examine the European budget, but it also has a long period of time ahead of it to carry this mandate out before the next multi-annual financial negotiations.

In its communication "Reforming the Budget, Changing Europe", the Commission has expressed its desire to use this budget review to undertake a more general reflection on the Union's priorities and objectives and on how the budget may meet the challenges of the coming decades. The objective laid down is therefore to discuss the structure and composition of community expenditure without going into a detailed discussion of the amount of expenditures in the next financial period. By involving all the actors in a discussion on the objectives that community spending should pursue, the Commission seeks to avoid having the upcoming budget negotiations dominated by national interests. This had been the case during the debates on the 2007-2013 financial framework: the discussion boiled down to a confrontation on “net budget balances” and contributions by each Member State.

If we stick to the Council mandate, the budget review exercise is supposed to lead to a final report drawn up by the Commission in “2008-2009”. The exact date for presenting the report is unknown, but it appears that it will not come out before 2009. The report will be the subject of a debate within the Council, which may “make decisions on all of the questions covered therein”. The budget reform therefore risks becoming a central question for the next two Presidencies (Czech and Swedish) whose mission will be to determine ambitious financial perspectives to meet the challenges that Europe will have to deal with between now and 2020.

Europe’s challenges for 2020

From global warming to immigration and human mobility, the Member States are faced with major common challenges. At the same time, the EU’s historical policies, such as the common agricultural policy or the cohesion policy, will have to be taken into account in the upcoming budgetary negotiation. To come up with a common project during these first budgetary negotiations at 27, there is a need to identify the European “common goods” and the policies or measures providing added value at the European level.

Energy: the challenge of independence

With oil prices reaching record highs, energy has become a substantial budget item for European households. This increase, which has widely fanned inflation in the euro zone, demonstrates the economic effects of Europe’s energy dependency on certain producer countries. According to the most pessimistic estimates, its dependency on external suppliers should reach 70% of energy consumption by 2030. And yet, Europe is having a hard time implementing energy diplomacy and presenting a united front against certain supplier countries, while the development of alternative energy sources is still marginal despite the ambitions set forth. While in the European Coal and Steel Community (1951) and Euratom (1957), energy was a policy area fully within the scope of the community, the EU today no longer has this level of integration at a time when the challenges of global warming and sustainable development require concerted action. But by intervening in the energy market and fighting against the monopoly of certain corporations, the Commission is trying to create an integrated European network to intensify exchanges between States when shortages occur. This market-based integration policy alone cannot constitute the only common energy strategy.

So what policies could be applied to return to relative energy independence while keeping within a sustainable development outlook? Is the neighborhood policy one of the possible diplomatic channels to ensure the availability of supplies?

Environment: what policies in response to the global warming challenge?

Faced with global warming, Europe has adopted ambitious objectives for reducing greenhouse gas emissions by 2020. To do so, it has defined the 20-20-20 strategy with a view to reducing greenhouse gas emissions by 20% by 2020, increasing energy efficiency by 20% and increasing the use of renewable energies by 20%. Despite these ambitions, there are still no national commitments to implementing these objectives. The essential challenge therefore remains finding an agreement on how each national economy can translate them into policy solutions. Some States oppose these objectives, which could harm their economic growth. So how can a common strategy be reached on the climate issue?

The Commission has adopted an approach that consists in delegating the regulation of greenhouse gas emissions to the market by setting up a system of tradable pollution permits, but is it enough? Under what terms could corporate environmental obligations be redefined?

CAP: what evolution?

The “Health Check” of the CAP requested by the European Council of 2005 has begun with the European Commission’s communication of 20 November 2007. Designed to evaluate the implementation of the 2003 reform and to make possible adjustments, it accompanies the spending review, notably for the CAP, a pivotal spending item in the community budget. Stuck to the modest mandate it has received, the European Commission has not wanted to propose changes beyond simple adjustments. And yet the Health Check, which is supposed to finish with an agreement at the European Council in December 2008, offers a unique possibility for Member States to precede the budget debate with a policy debate on the long-term objectives of the CAP.

An in-depth debate on the European agricultural project is more than necessary at a time when the objectives of the CAP, set by the Treaty of Rome, have never been updated and when the European agriculture faces major challenges.

Should European farmers be encouraged to switch to biofuels when the demand for food is constantly on the rise? Faced with a historic opportunity for recasting the aids in the first pillar related to the rise in food prices, should Europeans eliminate all the regulating instruments used to deal with the ups and downs of agricultural markets? Should Europe participate in producing foodstuffs in view of the sustainable growth of the global demand for food? How can production capacities and the competitiveness of European farms be consolidated in the context of a continuous open up of the EU agricultural markets? What instruments for intervention can Europe maintain while respecting their international commitments? How to promote sustainable agriculture and respond to high food safety demands without compromising European agriculture’s competitiveness? How can European agriculture’s productivity be improved without exhausting natural resources? Should a European policy be implemented for developing rural areas, which account for 90% of European territory? These are all crucial questions for the equilibrium of European societies, territories and the European economy, which will have to be answered before setting the share of the budget allocated to the CAP.

Cohesion policy: which perspectives for the future?

Since its creation, the cohesion policy has played an important role at each stage of EU enlargement. It has facilitated the integration of countries such as Spain and Portugal into the Single Market and helped them to catch up somewhat on the social and economic levels. Structural funds have also supported industrial restructuring for certain regions in crisis. But with the enlargements of 2004 and 2007, after which the difference in income/inhabitant between the richest 10% of regions and the poorest 10% of regions grew from 1-to-3 to 1-to-5, the cohesion issue can no longer be posed in the same terms.

The financial effort accepted for this type of spending remains quite modest compared with the challenges of “reunifying Europe. The emphasis placed on competitiveness and innovation tends to focus on the most dynamic regions, cities and groups, pushing the objective of convergence and support for the territories and peoples who have fallen the farthest behind into the background. The search for greater efficiency in public spending adds to the natural tendency to concentrate activities and risks accentuating territorial imbalances even further. While globalization has a major impact on Europe’s economic geography by increasing regional disparities, the cohesion policy needs to integrate this global dimension in order to enrich its essentially internal approach.

What forms should the cohesion policy adopt in order to better manage the historic opportunity presented by enlargement to 27 and how can it help to constitute a relatively homogenous socioeconomic space? What priority should be given to this in the context of the upcoming financial perspectives?

Growth, competitiveness and employment: what globalization strategy for Europe for 2020?

In Lisbon in the year 2000, the Heads of State and Government set the objective for 2010 of making Europe “the most competitive knowledge-based economy in the world”. Two years from the deadline, the assessment of the Lisbon strategy remains mixed. Some European countries still have high levels of unemployment despite reforms in their labor markets, and growth in the euro zone remains quite modest compared with other economic areas. The objective of 3% of public spending dedicated to research and development has not been met by many Member States. The report drawn up by Laurent Cohen Tanugi for the French Presidency, “Europe and Globalization”, notably called into question the use of the Open Method of Coordination as one of the reasons why the Lisbon objectives have not been met. The lack of coordination between the economic policies carried out and the concern in certain States of being “blacklisted” by comparative performance tables may also have contributed to limiting the impact of the Lisbon Strategy.

Consequently, should this policy be extended for the coming decade, and if so, using what methods? What lessons should be learned from the difficulties in implementing it so as to maintain the ambitions initially laid down in the Lisbon Strategy? What could the outlines be for an ambitious European policy that takes the challenges of globalization into account?

The development of Euroskepticism is sometimes linked to the perception that the European Union is unfavorable to social interests. This impression may be reinforced by certain recent decisions by the Court of Justice of the European Communities, such as the Viking and Laval decisions in which the Court upheld the primacy of the principles of free competition and freedom of movement for workers in a conflict between a Lithuanian construction company and a Swedish trade union. While emphasizing that establishing the common market and freedom of movement may come into contradiction with certain entitlements defined on the national level, this decision sheds light on the challenges of the enlargement comprising 12 new Member States. The heterogeneity of social policies has grown and fears of social dumping have been reinforced.

In the context of a Europe with 27 members and destined to welcome more, how can the effects of this social dumping be reduced? How can the general level of worker protection be increased insofar as these dumping practices are often connected to some governments’ desire to keep their legislation at the lowest level? What terms could there be in a social contract with 27 members defining the outlines of a European social model?

The definition of this European social model should also take into account the challenge of intergenerational solidarity. The aging of the European population should be confirmed by 2020. This trend, which will have consequences on economic dynamism as well as on public spending due to the payment of pensions and the increase in healthcare expenditure, shows the need for adopting long-term policies to reduce its economic and social effects. But how can Europe manage this demographic challenge?

***Citizenship and mobility: how can European democracy be better solidified*?**

The weaknesses of democratic practices in the European Union, and notably the failures in coordination between channels of local, national and European democracy, have been very harmful to the progress in European construction which European citizens nonetheless call for in a certain number of areas. The rejections of the Constitutional Treaty and the Treaty of Lisbon by referendum have reinforced the image of a Europe supported by the elites but not by the people. While the EU today seeks to move beyond its internal controversies to become the international actor it can and should be, for several years it has been stuck on an institutional reform that it has not managed to explain nor justify to its citizens. The current challenge is therefore not only to produce the “Europe of results” that has so often been announced, but also to become concerned with the Europe of citizens which has to exist upstream and downstream from the formulation of these policies.

Two major stakes lie within this democratic challenge. One concerns citizen participation, giving citizens the feeling that, through familiar democratic channels, they can influence the course of European public policy. The other is the feeling of belonging to a common European whole which can only be developed through the diffusion of shared knowledge and, better yet, access to a European experience. Whence the importance of mobility for people, works and ideas. As they defend their private domains of culture, education and training policies, the Member States have forgotten that Europe cannot grow on merely material foundations. It is obviously not a question of transferring these competencies to the European level, but rather of reinforcing the EU where it has real added value.

The field of mobility is full of doublespeak. No national or European politician will ever say that it is not indispensable, and yet it remains the poor relative in budget negotiations. With this in mind, shouldn’t all programs be strengthened for the mobility of people, young or old, works and artists, and shouldn’t initiatives be encouraged for increasing mutual or shared understanding of the histories, languages and cultures of the 27 Member States? Furthermore, how can we rethink and develop European tools for representative and participatory democracy in Europe?

Justice and security: the challenges of open borders and mobility

With the terrorist attacks of Madrid in March 2004 and London in July 2005, the urgent need for a coordinated response to the terrorist threat has been expressed acutely on the European level. Taking this challenge into account entails developing cooperation between European States, as has been started by agencies such as Europol (1994) and Eurojust (2003). On the legislative level, the response to the terrorist threat has notably followed a national route, such as with Britain's *Anti-terrorism Act* of 2000, which makes it possible to arrest someone without a warrant, for example. The challenge for a concerted legislative response to the terrorist threat lies in upholding fundamental democratic principles while meeting the demand for safety for Europeans.

The debate on security has also focused on the migration issue, which has justified strengthening controls at the Union's borders. By associating the security challenge with immigration, however, the EU tends to constitute a fortress that ignores the human aspects of immigration. Moreover, according to certain estimates, the EU will need 40 million migrants in the next forty years to maintain the current level of the working population. What policies should the European Union adopt to bring together the needs for secure borders and the need to take into account the human dimension of the migration issue?

Cooperation on legal issues was strengthened with the creation of the Eurojust agency, which is competent in questions of serious criminality. But the failure of Rome III has shown the difficulty of implementing the harmonization of civil rights (divorce procedures for international couples, for example).

Common Foreign and Security Policy: time for a real change?

The Maastricht Treaty established a Common Foreign and Security Policy, which constitutes the second pillar of the EU. If the Lisbon treaty is ratified, the coherence and unity in the EU external action will be reinforced thanks to the creation of a High Representative for the Common Foreign and Security Policy. At present, while the boundaries between internal and external challenges are getting blurred –security and energy constitute the most illustrative example of this –, and while a common approach becomes imperative, the members of the Union still maintain divergent positions on a number of issues.

Thanks to its economic weight, the Union counts whith an undeniable capacity of influence at the international scene. However, the Union's political stances are enfeebled due to the existence of political divisions within the member states. Thus for instance, while the EU is the main donor for the Palestinian Authority it struggles to get the statute of political negotiator in the peace process.

A common approach in foreign affairs will necessarily bring the issue of a European defence Policy. Yet, since the failure of the European Defence Community in 1954 -which envisaged the creation of a European army- this issue is no longer at the top of the European agenda. The Georgian crisis has placed in front of the scene the question of the EU role in the "neighbourhood conflicts" as well as its relationship with the NATO.

Questions for discussion

- ***Are these challenges really the crucial questions facing Europe between now and 2010?***

In the context of an EU with 27 members, the Union's policy priorities themselves are the subject of debate. Two viewpoints are in conflict. For some, Europe should limit itself to economic issues and to the smooth operation of the internal market, while for others the European project should go farther toward laying "the foundations of an ever closer union among the peoples of Europe" (Treaty of Rome). Do these two viewpoints, which structure the debate on European construction, influence perceptions of the importance of the challenges to be met? What levels of priority are confronting each other?

- ***Should the budget be adapted to these challenges? If so, how?***

Changes to the expenditure structure are often proposed as a response to challenges, but behind this general solution, several possibilities for arbitration are open.

First of all, community spending reform should not necessarily translate into the redeployment of resources from one heading to another. In current discussions on the budget reform, there is a certain tendency to present the question in the form of an opposition between "new spending" and "old spending". Yet, the challenges presented above are cross-cutting; they touch all EU fields of intervention. Taking them into account therefore requires rethinking all community spending. Think for instance on "climate change": to combat this problem, an integrated approach should be adopted involving several sectors (agriculture, energy, industry, transport, etc.).

Secondly, to respond to certain challenges it is also possible to modify the size of the budget. The reforms of 1987 and 1992 changed the composition of community spending and increased the total size of the budget. After the "letter of six" in 2003 – in which the six largest net contributors called for a budget ceiling at 1% of GNI – the issue of the size of the budget has become a recurring topic in policy debates.

Lastly, the budget is not the only instrument of intervention at the EU's disposal for responding to these challenges. At the European level, as well as at the national level, there are methods of public action which do not involve financing, such as approving directives or regulations, the Open Method of Coordination (or OMC) or sharing good practices. The internal market, for example, was essentially set up by transposing directives and through actions by the Court of Justice of the European Communities. Likewise, trade policy, for which the Union has exclusive competences, is not backed by a budget item.

- ***How should the financial burden be distributed between the EU and other levels of government?***

Community spending, like all EU actions, complies with the principle of subsidiarity. In accordance with this principle, the EU *"shall take action…… only if and insofar as the objective of the proposed action cannot be sufficiently achieved by the Member States and can therefore, by reason of the scale or effects of the proposed action, be better achieved by the Community" (art. 5, EU Treaty).*

Community spending is therefore justified insofar as it is a more effective answer to a given problem than action by the Member States. This principle only applies to areas of shared competence. It should be pointed out, however, that the principle of subsidiarity is a good reference point for thinking about the effectiveness of European spending for all policies. There is a large degree of discretion in applying the principle of subsidiarity. As a last resort, however, the decisions on the size and level of community spending reflect a political choice.

To evaluate the budgetary importance of EU objectives it is also important to have an overall view of European public finance, including the levels of European, national, regional and local spending. This integrated approach makes it possible, for example, to put into perspective the idea that Europeans spend too much money on their agriculture. Indeed, by adding up community and national expenditures, we can see that agriculture only absorbs 0.55% of the GDP vs. 5.25% for education and training (see table 3).

Table 3: Examples of aggregate spending in 2005 (in % of GDP)

in % of GDP	Community Budget	National Budgets	EU Total
Agriculture	0.39%	0.16%	0.55%
Research and development	0.04%	0.63%	0.67%
Education/training	0.01%	5.24%	5.25%
Aid to development	0.03%	0.32%	0.35%

Source: Yves Bertoncini, *op cit.*

- ***How can financial intervention and other modalities of intervention be coordinated?***

Often in Europe, there is a lag between the formulation of ambitious challenges to be met and their translation into policies to be carried out. In effect, implementing policies requires the transposition step, making the Member States essential actors in carrying out community objectives. Yet, there are many insufficiencies and delays during the transposition of common decisions at the national level.

Against this backdrop, a point can be made to use community spending to encourage the implementation of directives. European spending can also serve as a catalyst of national spending in areas such as research or education, through the development of co-financing practices.

- ***Should the decision-making process be changed to better adapt the budget to Europe's needs?***

At present, the adoption of the financial perspectives in the Council is subjected to unanimity. This means that all Member States have veto power when voting the financial framework. As has been pointed out by several observers, this procedure poses several problems. Firstly, it reinforces the natural penchant for the status quo in the community budget. Secondly, it explains for a large part the domination of national interests over the European interest in budget negotiations.

Although the Treaties recognize the European Parliament as one of the two budget authorities, in the context of budget negotiations it only has limited power. Could strengthening its powers bring about changes in the budget priorities more in line with citizens' needs?

- ***Should we re-think the EU financing system?***

The European budget is for the most part financed by the member states' contributions. This model of financing is the object of various criticisms. First, a budget financed by national contributions does not reflect the status of the European Union (defined in the Treaties as a community of both member states and citizens) and it is at odds with current EU efforts to make the EU more democratic and closer to citizens. Secondly, it feeds the tendency of member states to calculate their net budgetary return, and hence to focus on maximising this return in EU budgetary negotiations.

Beyond these considerations, and beyond the fact that the budgetary problems should be addressed by taking into account both expenditures and revenues, recent years have witnessed the emergence of new reflections on the European Union's financing system. For instance, the auctioning system from the next phase of the EU emissions trading scheme will raise approximately 28 billions euros. There are political and economic arguments to sustain that part of this revenue should be managed at the European level. This could contribute to the financing of European interventions in the field of climate change and energy. Likewise, given the strong EU commitment to the fight against climate change, one might wonder why eco-taxation is not used at the community level