



CENTRO STUDI SUL FEDERALISMO

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## THE EU AND THE DOUBLE EMERGENCY

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In March 2015, Bill Gates, who was principally engaged in addressing health problems in Africa through the Bill and Melinda Gates Foundation, gave a “Ted Talk” conference in Vancouver in which he pointed out that the greatest risk of global catastrophe that humanity should fear was not nuclear war, but rather “a highly contagious virus, capable of killing 10 million people”.

Gates proposed a series of initiatives, based on strengthening the World Health Organization (WHO) in the field of scientific research (the most valuable resource of our times) and the ability of teams of doctors and specialised nurses to intervene quickly, possibly supported by the military, to implement measures to contain the epidemic and provide initial treatment on-site to secure the area involved.

At that time, the World Bank estimated that a global viral epidemic would cause damage amounting to three trillion dollars, and millions of deaths. By way of comparison, the 1918 Spanish flu pandemic caused as many as 30 million deaths worldwide.

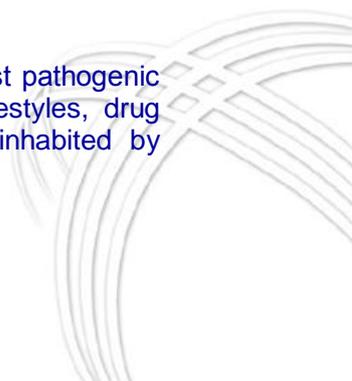
Gates’ message was soon forgotten, despite the alarm bells linked to other pandemics such as HIV, SARS and MERS: the Ebola virus epidemic he was dealing with at the time was contained, as it was not airborne.

Now, the world – which was totally unprepared – is confronted with the Covid-19 pandemic: an airborne virus in an increasingly interconnected world that is particularly aggressive and frequently lethal, especially for the weakest sections of the population, from the elderly to people with pre-existing health conditions. Despite worldwide efforts, no effective medical therapy has been identified so far. Nor is there a tested vaccine on the horizon, and even in the best-case scenario it would not be available for use until 2021.

The only measure adopted by all the countries affected by the pandemic, in different ways and at different times, has been to “socially confine” citizens, suspending all production and commercial activities for months, with the exception of the essential sectors of agriculture, food trade, the basic transport of people and things, and healthcare. This has had the consequence of serious economic and financial damage for businesses and millions of employees.

The Covid-19 pandemic overlaps with the problem of climate change, and the degradation of the natural environment; this is also a result of man’s actions, which have brought the planet to the very limits of its capacity, progressively destroying ecosystems and their ability to maintain balance. Through deforestation, especially tropical deforestation, expanding soil desertification, and concreting over land, man has taken habitat away from animals that host viruses and bacteria, pushing them ever closer to urban clusters and making the “species leap” from which pandemic diseases derive possible. Thanks to globalisation, these can spread rapidly throughout the world.

It should also be remembered that the human body’s main natural defence against pathogenic elements is our immune system, which is seriously threatened by unhealthy lifestyles, drug abuse, poor environmental conditions, and air pollution gripping metropolises inhabited by millions of people.



The Covid-19 pandemic is just one of the potential consequences linked to our abuse of the planet. So far we have only seen the local effects (the summer heat in France in 2003 and in Russia in 2010, which caused many thousands of deaths, Hurricanes Katrina in 2005 and Maria in 2017, and the vast fires in Australia) that can be brought about by global warming and environmental degradation, as the world unfortunately moves away from the objectives of the 2015 Paris Climate Treaty.

The EU has set itself the objective of making Europe the first continent with zero climate impact, by reducing atmospheric carbon emissions by 55% by 2030. Concurrently, the Union is addressing the general problem of transforming itself into an environmentally sensitive economy, as well as expressing the fundamental objective the von der Leyen Commission has undertaken to pursue in the field of health.

The difficult task of simultaneously tackling the two emergencies (one with an immediate effect, the other with more delayed effects) demands an extremely high degree of responsibility for European institutions and an extraordinary financial effort. The economic and financial impact of the pandemic, and aid to the most affected countries, will require the use of every instrument available, bearing in mind the fundamental principles of the EU Treaties, including that of solidarity among Member States.

However, as stated above, the EU must also tackle the second emergency, namely the launch of a powerful plan for the European Green Deal, which, in my opinion, will require a substantial increase in the Union's Multiannual Budget, based on sufficient own resources rather than States' contributions, as the EU Treaty itself requires.

The Centro Studi sul Federalismo has provided clear guidelines on the Border Tax Adjustment in the energy sector, to which appropriate carbon pricing in the sector would of course be linked, to prevent distortions in the internal fuel market. An appropriate Digital Tax, and a Financial Transaction Tax should then be established. Finally, it would be necessary to put an end to unfair tax dumping among Member States, which allows some of them (Ireland, Luxembourg, the Netherlands, Cyprus and Malta) to attract the registered offices of multinational companies by providing them with extremely beneficial tax regimes, compared to the average corporate income tax rates in force in other European countries.

It seems apposite to recall that when Franklin Delano Roosevelt took office as President of the United States he found himself in a similar situation due to downward tax competition among the Federal States of Florida, Texas and Arkansas. In 1932 he decided to put an end to these unfair practices by introducing a Federal Corporate Income Tax with a single rate, which allowed him to settle the problem in six months.

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

