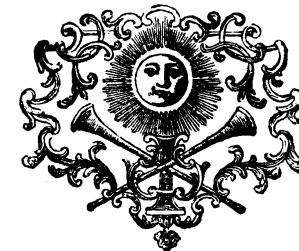


# THE FEDERALIST

a political review

*To look for a continuation of harmony between a number of independent unconnected sovereignties situated in the same neighbourhood, would be to disregard the uniform course of human events and to set at defiance the accumulated experience of ages.*

Hamilton, The Federalist



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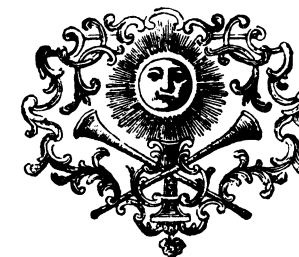
YEAR XLIII, 2001, NUMBER 2

# THE FEDERALIST

a political review

*Editor:* Francesco Rossolillo

*The Federalist* was founded in 1959 by Mario Albertini together with a group of members of the Movimento Federalista Europeo and is now published in English and Italian. The review is based on the principles of federalism, on the rejection of any exclusive concept of the nation and on the hypothesis that the supranational era of the history of mankind has begun. The primary value *The Federalist* aims to serve is peace.



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## Law and Politics

Certain events in recent history have seemed to suggest that the end of the Cold War ushered in a new phase in international relations, a phase characterised by a progressive extension of the sphere of law in relation to that of politics, and thus by the increasing prevalence — in what cannot be but a slow and difficult process — of behaviour inspired by the principles of justice over that dictated by the demands of the *raison d'état*. This apparent tendency has manifested itself in a number of contexts. Criminal courts have been set up, following the precedent of the Nuremberg Trials way back in the forties, for the former Yugoslavia and for Rwanda, and in the near future, as soon as the founding agreement reached in Rome in July 1998 has obtained the necessary number of ratifications, an international criminal court will be set up whose jurisdiction will no longer be restricted to events occurring in a given region, but instead extended to all acts of genocide, to all war crimes and to all crimes against humanity, wherever they are committed. As we wait for the birth and the entry into force of this international criminal court, we are witnessing a spread of the principle of so-called universal jurisdiction, according to which the perpetrators of the crimes just mentioned can be tried by any national court, regardless of the nationality either of the accused or of the victims and regardless of the place in which the crimes are alleged to have taken place. At the same time, some governments are tending, increasingly, to cite the violation of human rights on the part of other states as a means of justifying their own hostile actions towards them, and to confer on these actions the seemingly legal status of punishment of crimes. In the most extreme cases, it is even deemed legitimate, on the basis of the so-called “right of humanitarian intervention” to go as far as armed intervention. Similarly, armed intervention is not presented as a political act, but rather, as the legal restoration of respect for rules that have been violated through serious criminal acts committed by a country's gov-

ernment, or by one section of its population against the members of another section.

All these events and tendencies are, without doubt, a sign of the growing awareness, among certain sections of public opinion in the countries of the industrialised West, of the need to give justice an international dimension. But there is also a darker aspect to them, which is engendering new hypocrisy and ambiguity in international relations. One only needs to consider the fact that the general cry is for a retributive kind of justice, in other words, for the punishment of crimes committed by politicians or by the military, while scant interest is shown in the concept of distributive justice — in the need, that is, for a more just and even distribution of the world's wealth. It is the absence of this justice, highlighted by only a few, a few whose words tend, moreover, to fall on deaf ears, that often lies at the root of the very crimes for which punishment is so vehemently demanded.

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Efforts to bring an end to violence and oppression in relations between states through the introduction of some kind of substitute for law are certainly not a new phenomenon in the history of mankind. The classic concept of international law was developed precisely to this end. This does not mean that it was conceived in opposition to politics. Quite the contrary. From the very birth of the modern state, the existence and observance of certain rules have, at least under normal circumstances, always served the clear interests of governments. The main purpose of a state is to pursue its own interests and to preserve or increase its power without having recourse to war. Thus, the existence of treaties, agreements and all the other practices that establish or decide certain rules and lend a measure of predictability to the behaviour of states, is, under normal circumstances, to the good of everyone.

Clearly, however, this measure of predictability is far from sufficient to prevent the periodic recurrence of the tragic phenomenon of war. After all, international law is not true law. In the absence of a superior power, able to guarantee a relatively consistent interpretation of its complex system of rules, as well as relatively certain sanctions in the event of their violation, the observance of international law depends entirely on the goodwill of the states, which, when vital interests are at stake and negotiation proves impossible or fruitless, are, *in extremis*, left only with recourse to violence as a means of settling their disputes.

In the first half of the twentieth century, the horror generated by the extermination and destruction of two world wars led, for two short periods of time following the end of each of them, to the birth and the diffusion of the hope that international law might be rendered binding through the creation of politically-oriented international organisations of global dimensions. It was felt that the Society of Nations, initially, and later the United Nations Organisation, should, expressing public opinion in the world and drawing strength and authority from the general inclination towards peace, strive to ensure that justice prevailed over the logic of national interests, in such a way that observance of the rules of international law no longer depended on the free will of states. But on both occasions, the illusion was short-lived. The Society of Nations, incomplete from the outset, soon disintegrated, while for a long time the UN merely provided the stage on which the power conflict between the United States and the Soviet Union unfolded. And since the collapse of the Berlin Wall, it has served only to reflect the events that have denoted America's precarious hegemony over the rest of the world. In short, in their working and in their decisions, both organisations did little more than mirror the existing power relations. What is more, in order to implement the decisions they reached, they used, and still use, the military instruments made available to them by the states that belonged, or belong, to them. Both were caught in the tragic and paradoxical trap, pointed out by Einaudi as long ago as 1918, of endeavouring to impose peace through recourse to the instrument of war. Despite the considerable symbolic significance both organisations had, and continue to have, given the circumstances of their foundation, neither was able to alter the nature of international relations. International law continued to be what it had been: an instrument serving the *raison d'état*.

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The international criminal courts, and in particular the one destined to be born of the Rome agreement (for which the so-called universal jurisdiction, already seized upon by certain national tribunals, is only intended as a temporary substitute) should provide a different kind of answer to the need, mentioned earlier, to make certain universal laws and principles binding. Since they judge, and will judge, and when necessary condemn, and will condemn, not states but individuals on the basis of laws whose validity extends beyond the boundaries of states, these new tribunals could seem to be a first, embryonic form of cosmopolitan law.

It was thus to be expected that their creation should generate hope and mobilise energies.

But the truth is that the activity of the various international courts has not altered, nor is it destined to alter, the basic picture. Of course, the deeds that they have been, and will be, called upon to judge (acts of genocide, war crimes and crimes against humanity, defined at the institution of the Nuremberg Tribunal and subsequently codified by The Hague Convention in 1948 and the Geneva Convention in 1949) are utterly abominable and a shocking affront to the consciences of all civilised men and women. But this is missing the point. The point is that the “law” on the basis of which these tribunals passed, and will pass, sentence is not law, but an instrument of power. The deeds whose criminal nature they are required to assess are crimes that can be punished only when the accusers are the victors and the accused the vanquished, or when the accusers are strong and the accused weak. It is indeed the Nuremberg trials that provided the first historical demonstration of this truth. The Nuremberg Tribunal was not — obviously — required to judge those responsible for mass exterminations like the bombing of Dresden or the dropping of the atomic bombs on Hiroshima and Nagasaki. These deeds, committed by the victors, could only be viewed as legitimate acts of war.

This is certainly not to say that the atrocities committed by the Nazis in the course of the Second World War should, in terms of their deep historical significance, be equated with those committed by the Allies. It merely means that the sentences passed at Nuremberg do not base their legitimacy on legal rules — in order to be such these would have had to be equal for everyone — but on history. The clash between the forces of democracy and the forces of Nazi totalitarianism that led to the Second World War brought to the fore conceptions of man, of civil cohabitation and of the future of mankind that were radically incompatible. The victory of the coalition of democracies (and of the Soviet Union) could not have culminated in anything other than the annihilation of both the Nazi regime and its leading figures. It was, indeed, an act of civility that these individuals were given the possibility of defending their actions before a court, and not subjected to an act of summary justice. But all this has nothing to do with law. Law cannot take into account the global historical context in which certain acts are perpetrated. A hypothetical, impartial judge, applying the criteria on whose basis the Nazi war criminals were convicted, could not fail to have accused and convicted also those who ordered, and physically carried out, the acts of war on

Dresden, Hiroshima and Nagasaki.

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Similar conclusions can be reached when considering the habitual citing, as an instrument of foreign policy, of another state’s violation of human rights. To date, recourse to this argument has been had solely as a means of defending precise corporate interests and its use has merely heightened contrasts between states without influencing, in any real way, the promotion of any value of civil cohabitation in the various countries that, in turn, are accused of failing on the human rights front. To a considerable degree, the reason for this lies in the fact that, at the current evolutionary stage reached by the process of emancipation of the human race, there exists no universally accepted notion of justice, no universally recognised scale of priorities as regards social and political values. This, in turn, can be attributed both to the persistence of profound differences in outlook determined by the diversity of cultures and to the fact that, in countries that are less economically developed than those of the industrialised West, the observance of what the West defines as “human rights” must, necessarily, be secondary to the urgent need for development and for the maintenance of a degree, often precarious, of social peace. It is these radical differences that render it impossible to form a world power, sustained by a universal consensus and equipped to impose, on the whole of mankind, observance of and respect for the same laws and principles; these differences that make it impossible, too, to give the expression “human rights” a meaning that is unequivocal and accepted universally on the international stage. It is therefore crucial to draw a clear distinction between the call for human rights addressed by a people to its own government in the course of a revolutionary struggle and that addressed by one government to another purely as a means of justifying a hostile policy. In the first case, the rights the people are demanding constitute the legal expression of values that are generally shared: this expression, providing the revolutionary movement prevails in the struggle, is destined to evolve into laws and decisions that are sufficiently clear and, in the main, equal to all men. The same cannot be said, on the other hand, in the case of relations between states. This is why any attempt made by one state to impose observance of human rights on another is always bound to fail, or, as in the case of the UN intervention in Somalia between 1992 and 1995, to stir up hostile reactions that lead to the development of power or propaganda operations destined to have dis-

astrous results.

As before, this does not mean that we are obliged to embrace a relativist vision of civil cohabitation, or that we have to give up fighting for the values in which we believe. This review has always been guided by its conviction in the absolute validity of the “Western” values of freedom, justice, equality of the sexes, respect for the environment, and so on. But believing completely in the universal character of certain values must not blind us to the fact that many of them are not recognised by entire societies, organised into states – societies that follow behavioural rules that are different from the values to which we aspire. This can lead us to just one conclusion: that the only way to generate a widespread acceptance of a certain conception of human rights is to generate the spread of the way of life of which that conception is the expression. To this end, it is crucial to avoid using the violation of human rights argument as a means of threatening or of bringing pressure to bear on other states. Instead, we must trust in the capacity of Western values to assert themselves outside the West, through a global political design aimed at promoting cooperation and dialogue; it is also important to recognise, when the incompatibility between different conceptions of cohabitation becomes so extreme as to produce the breakdown of established balances in international relations, making recourse to violence inevitable, that the latter is not a quasi-automatic penalty for behaviour that goes against the law, but instead an eminently political choice. It is a choice that must entail not only a full evaluation of all the values and all the interests at stake (as well as of the power situation that makes the promotion of the same possible), but also the shouldering of all the responsibility, and attendant risks, that it involves.

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And thus we reach the question of the “right of humanitarian intervention.” This is presented as the direct opposite of the so-called “principle of non intervention,” (considered one of the fundamentals of classic international law and, in practice, systematically violated in international relations). In actual fact, the “principle of non intervention” is connected with the recognition by all states of the sovereignty of other states, and thus of the right of another state to take the measures necessary to promote the type of cohabitation that characterises its own society. But since the Gulf War, there has been a progressive acceptance of the idea that there exist certain fundamental legal rules, rules that protect values

universally deemed inviolable, whose validity extends beyond the sphere of the sovereignty of each individual state and whose observance can be enforced by any state on those that do violate them, even through recourse to arms and in contempt of the principle of non intervention. But here also, the basic contradiction that is inherent in the very nature of international law surfaces once again, in so far as 1) it is never a superior and neutral body that declares a state guilty of violating certain essential human rights, but always the state that decides to intervene in the domestic affairs of another (if possible, and when the necessary alliances are in place, with the backing of the United Nations), 2) the states that exercise the “right of humanitarian intervention” have, to date, always been Western powers — large or medium-sized — whereas the parties guilty of violating human rights and incurring the resulting “penalty” have always been poor countries, or ones weakened by deep internal splits and 3) this “humanitarian intervention” has always taken the form of harsh acts of war whose effects on the civil population have been at least as devastating as (if not more devastating than) those of the actions that the intervention set out to punish. Once again, the intention here is not to deny that some of the actions that have been carried out in the name of “the right of humanitarian intervention” have been justifiable attempts to check appalling social catastrophes. But in order to justify the extreme selectiveness of its application, it would be necessary to talk in terms not of the exercising of a right (from whose enforcement some countries, China and Russia for example, are excluded *a priori*), but instead of the responsible exercising of a power. From this perspective, it is also much easier, among other things, to highlight the huge responsibility of Western countries for all the humanitarian disasters that have occurred in recent history. By systematically refusing to channel more than an insignificant part of their national product into development aid, these countries have helped, decisively, to provoke, in the poor countries of the world, the very traumas that they have later striven to plug, generally unsuccessfully, claiming the right of humanitarian intervention.

The truth underlying all this is to be found in the Kantian precept that there can be law only where there is a state, and that where there is no state, anarchy reigns. In the light of this, the only way to render international law equal and certain is to turn it into the constitutional law of a world state. Until this objective is in sight — and at the present time it is not in sight — any expedient suggesting that international law can be rendered binding in a world made up of sovereign states is mere hypocrisy. International relations will continue to be governed by politics,

and politics will continue to be duplicitous, representing, at once, both pursuit of the common good and the art of conquering and managing power. Power, in turn, will continue to be the indispensable instrument for the realisation of a flawed common good — the only kind that can be achieved in a divided world. Power, albeit loaded with ambiguities, will continue to guarantee respect for the law within states and to assume responsibility for ensuring a reasonable degree of stability and fairness in international relations, and thus to guarantee a minimum of effective international justice. But in order to pursue these ends and, in the midst of international anarchy, to promote the values shared by the people they represent, the holders of power have no choice but to make compromises, to commit injustices, to use deceit and to have recourse to violence or to the threat of violence — in short, to commit or to tolerate acts that would, by their own internal legal orders, be classed as crimes. No statesman (and certainly no statesman called upon to manage huge international responsibilities), if brought before an impartial court that was judging his actions and omissions in the carrying out of his own government's foreign policy on the basis of the criteria applicable to his country's domestic legal order, would be able to escape a conviction. But in foreign policy the pursuit of the common good certainly does not mean the dogmatic application of pre-established rules, but instead the choice — often a dramatic one — between alternatives that are all, in part, inherently wrong and unjust; it means assuming the relative responsibility, before one's own people and before the whole of mankind.

\* \* \*

Today, politics is faced by two great tasks, and Europe is the world region where these tasks can be carried out. The first is to widen the sphere of law, by widening that of the state. As far as the journey towards the definitive transformation of international law into domestic law is concerned, the institutional goal that must be achieved is the founding of a world federal state. Moreover, just as the overcoming of mediaeval anarchy through the founding of the modern state led to a vast enlargement of the sphere of law in Europe, and thus rapidly to an unprecedented level of civil evolution, so it could now spread from the national to the continental sphere through the federal unification of Europe. Europe is today faced with a choice between federal unification and descent into a second Middle Ages, a course, which many predict, and some desire: in other words, either a full renewal of the rule of law or a plunge into

nationalistic anarchy or local tribalism. Crucially, were it to choose the first option, Europe would, by its own example, also stimulate other regional unifications (that is to say an extension of the sphere of law in Latin America, Asia and Africa) and thus help to speed up the process towards world unification.

The second task is to promote fairer kind of international "law" and greater respect for its rules. Europe's unification would not alter the nature of international "law", observance of which would continue to depend on the goodwill, or rather the interests, of states. But in certain circumstances — when the world power situation is balanced, or the interests of a hegemonic power coincide with those of the states that are within its sphere of influence — international relations are characterised by a greater degree of stability and governments are more ready to implement foreign policies oriented towards the reaching of fairer agreements and the stricter adherence to undertakings made. This is not the situation today. The United States of America, left alone to guarantee a semblance of world order, is obliged to shoulder responsibilities too vast for its resources. This leads it to violate, increasingly frequently and increasingly patently, the fundamental principles of international justice, to affirm its sovereignty by violating that of others, and to block the functioning and even the existence of international organisations that it cannot control. Meanwhile the European states, being divided, are forced to renounce all responsibility on the international stage. The state has thus reached a crisis point both in the United States and in Europe: in the US because of the excessive weight of the responsibilities it has to assume; and in Europe because of the incapacity of the various countries to face up to those that they should be assuming.

Let it be clear that the change that is required cannot be expected to come from the United States. Europe is the only area in the world that can generate a radical — and positive — change in the global power situation. The European governments are in an unusual position: it is within their power not only to create a solid foundation for their cohabitation and for the values by which they are guided, but also to unburden the Americans of a share of their responsibility towards the rest of the world, thereby allowing them once more to play an international role that is open and progressive and breathing new life into their very democracy. This is the only way that can lead to the creation of a more stable world balance, on whose basis fairer international rules might be agreed, and whose observance might reasonably be guaranteed. But to achieve these goals, Europe's governments must be prepared to make political choices,

accepting all the risks involved, and not hide behind the fragile screen of law that is not there.

*The Federalist*

## **Reform of the Common Agricultural Policy and a European Constitution**

*ALFONSO SABATINO*

### *European Agriculture at the Start of the New Millennium.*

The state of European agriculture at the start of the new millennium is certainly a cause for considerable concern. Following the emergence of new cases of BSE and the recent foot-and-mouth-disease outbreak, two phenomena that have affected livestock farms in a number of European Union (EU) countries, support is growing among the most enlightened farmers and consumers for safe products and for the preservation of the rural environment. Alongside this growing alarm over health and environmental questions, Europe is also currently faced with international pressure to grant produce originating from the major manufacturing nations and from the world's developing areas greater access to its markets, and with the difficult enlargement of the Union to the countries of central and eastern Europe and the Balkan area.

The deadlines for dealing with these problems are rapidly approaching: in November 2001, WTO agricultural negotiations,<sup>1</sup> suspended in Seattle in 1999, are due to begin again in Qatar, and a mid-way adjustment of the Agenda 2000 regimes for cereals, oilseeds and agricultural spending is scheduled for 2002, followed by a review of milk quotas the year after, while a precise date is still to be set for a review of the regime governing meat. Finally, the European Council in Nice (7-10 December, 2000) reiterated that the first of the candidate countries would be granted EU membership as from 2003.

It can thus be said that European agriculture at the start of the new millennium is faced with three interdependent sectorial challenges that throw into question its very identity and its destiny. These three challenges are: the Eastwards enlargement of the EU (to the countries of central and eastern Europe and the Balkan area, and subsequently to Turkey); the affirmation of a multifunctional rural economy in the wake of the technological revolution and in the light of the growing urgency to protect



consumer health and the environment; and the opening of the Millennium Round negotiations that are crucial to the future of the WTO.

They are three challenges that throw into question the aims, principles, mechanisms and resources associated with the main common policy decided by the European Commission: the Common Agricultural Policy (CAP).

The debate over Europe's agricultural policy, in part fuelled by vested interests, by protectionist inclinations and by government plans for a re-nationalisation of the agricultural policy, has consequently become very heated in recent months. However, we have yet to see, at European level, an adequate and democratic debate on the aims and instruments of the agricultural policy that might allow the definition of a global strategy in which internal objectives — relating to production (in both quality and quantity terms), health (human and animal) and the protection of the environment — are rendered compatible with external objectives, that is to say with the role that Europe must play, on the international stage, in promoting the world's safety and development.

It is necessary, therefore, to identify clearly the nature of the challenge, in order to understand which parts of the CAP are still valid and, if necessary, to work out a new policy. The main point that must be stressed is that the CAP, in spite of its merits, is also characterised by distortions, privilege and waste and it has, for a long time, attracted criticism because of this. And yet, to date, no adequate reform has been developed to resolve the problem.

European agriculture has, for years, been crying out for a deep-reaching reform, or new "social pact," with the capacity to define its multifunctional identity within the rural economy, but so far none has been forthcoming due to the intergovernmental method that, with its vested interests, has, until now, always determined the way the EU has been governed. Any decision reached is ultimately nothing more than the fruit of difficult compromises reached between the agriculture ministers of the member states, themselves often conditioned on an electoral level by national agricultural lobbies. And this goes against the general European interest, which is for a modern agricultural system, internationally competitive and able to make a positive contribution to the health of the continent's citizens, animals and plant life.

#### *The Initial Strategic Basis of the Common Agricultural Policy.*

The current concerns over farming — the call is for safe, quality

farming that is not harmful to the health of people, plants or animals — and the demand for growth that is both sustainable and environment-friendly, which today dominate the debates over the future of the planet and the European model, are a long way from the ideals on which the Common Agricultural Policy was initially based in the 1950s.

The CAP was conceived by the six founder members of the European Economic Community (EEC) in the difficult post-war years and in the context of the Cold War. At the time, only France was producing surplus cereals, while the new Federal Republic of Germany was in severe deficit for food products, Germany's main farming areas being concentrated in the central and eastern regions of the country. It was an arrangement that allowed other countries to exploit their relative positions of strength: the Benelux countries were strong in the area of animal products, and Italy, for purely environmental/geographical reasons, was comparatively advantaged where typically Mediterranean products were concerned.

It is worth remembering that the people of Europe at this time could still recall the agricultural crisis of 1929-32 and the food shortages endured during two world wars; furthermore, they were faced with the strategic urgency to increase agricultural production in order to protect their ability (severely undermined by the blockade of Berlin and the Korean War) to guarantee their own supplies and by the need to eliminate a persistent balance of payments deficit.

European farming as a whole was still technically backward and, in many areas, still somewhat feudal in character; it was also rather unprofitable and conditioned both by climate and by fluctuating international food prices.

European agriculture bore no comparison to that of North America, which, during the two world wars and the subsequent period of reconstruction, had become Europe's main supplier of cereals. The United States had 4 hundred million hectares of agricultural land for its 2 hundred million inhabitants, and the country's farmers numbered just 4 million. The EEC's six founder nations, meanwhile, had a total of 65 million hectares of cultivable land, 17.5 million farmers (the equivalent of 26% of the working population) and internal production that covered only 85% of the food requirements of the entire population (150 million consumers). On the basis of this comparison, it is easy for today's reader to appreciate the vast difference, in development terms, between American and European farming in the years immediately following the end of the Second World War. The by far superior state of American agriculture was undoubtedly due not only to the country's different historical and

political course of evolution, but also to structural differences that, still now, heavily penalise the European sector (differences that can be attributed to its territorial configuration, to its environmental conditioning, to the organisation of land ownership and to the social-cultural order that prevails in country regions).

In any case, at its conception, the Common Agricultural Policy had, as an initial framework of reference, both the anticyclical policies conducted in Europe in the '30s, and the Farm Bill adopted in the United States in the same period. The members of the Spaak committee that presented its final report in 1956 — this report formed the basis of the Treaty of Rome, signed the following year — were perfectly aware of the success of the agricultural policies that were being implemented on the other side of the Atlantic and of the benefits that a regulated continental market could bring. This allowed the negotiators to define precisely (in Art. 39 of the Treaty) the objectives of the Common Agricultural Policy: to increase agricultural productivity, to guarantee a “fair standard of living for the agricultural community,” and a secure supply of food at stable and reasonable prices to consumers. The Treaty left it to the institutions to decide what else should be included in the CAP and indicated, as the necessary instruments, only a common organisation embracing the agricultural markets and one or more financial funds.<sup>2</sup>

Now, years later, it can be remarked that the CAP mechanism was put together in a reasonably short time and led, in the space of a decade, to the organisation of an integrated agricultural common market as well as to the attainment of the strategic objective of Europe's self-sufficiency in the supply of cereals and meat. Indeed, six months after the birth of the EEC, in July 1958, the Stresa Conference was held, gathering the ministers of agriculture and representatives of farming organisations from the Six. This conference established the basic principles, still valid today, underpinning the common policy: a single market and uniform prices within the EEC, Community preference and financial solidarity.

On the basis of the results obtained in Stresa, on the 30th June 1960, the European Commission put before the Council a series of proposals for the introduction of six Common Market Organisations (CMOs) for cereals, pork, eggs and poultry meat, fruit and vegetables and wine, of a European Agriculture Guidance and Guarantee Fund (EAGGF), and the funding rules. These instruments are still in place and still operational, even though they have, since their introduction, been modified by reforms and by the incorporation of other measures.

The CMOs constitute a structured set of mechanisms, organised

sectorially, through which, in a free movement setting, common European prices and interventions in support of common market prices are guaranteed, as well as a device to support exchanges with third-party countries.<sup>3</sup> The EAGGF is the financial mechanism that, in cooperation with the states, supports structural reforms and measures designed to protect internal prices. It is funded through a hefty share of the Community revenue, known as “own resources,” which is made up of customs duties, agricultural levies and a share of national revenue from VAT, and to which, in more recent times, increasing contributions from EU member states<sup>4</sup> have been added.

### *The Contribution of the Common Agricultural Policy to European Integration.*

The quest to find new solutions for the main European common policy must be based on an objective examination of its successes and its defects.

Its successes have been both numerous and significant. The first thing that must be emphasised is the decisive contribution made by the CAP to the attainment, in the space of just a few years, of the strategic objective of self-sufficiency in the supply of food for the Community. It is also important to recall the coherence that initially existed between the premises, principles, and objectives of the policy and the instruments adopted in pursuit of the same. Achievements can also be recorded in other areas, and it is worth comparing a few recent figures with the situation at the start of the Six-member community.

At the end of the '90s, EU's 15 member countries were farming a total of 134 million hectares of land, had 7.4 million agricultural units employing a total of 7.8 million people, 5% of the workforce (as opposed to the 13.4% still recorded in 1970) with the sector generating around 1.6% of the EU's GDP (as opposed to 5.4% in 1970). The average farm size has gone up, over the last 40 years, from 13.3 to 17.4 hectares, while the overall surface area of land given over to farming has dropped by 5.3%. It is also important to draw attention to the considerable increase in Europe's prominence the world's agricultural market. Looking, once again, at the end of the last decade, the EU was the world's second largest exporter of agricultural products, (exporting 22.8% of the total), second only to Latin America (24.7%), and the biggest agricultural importer, absorbing 27% of the world total.<sup>5</sup>

Second, the CAP was, by means of the structural guidance and price

support for agricultural production guaranteed through the EAGGF, the first major common policy in the sphere of the Communities to combine European planning and a market approach; it favoured capital accumulation, provided incentive for technical progress and technological innovation, and it slowed down the flow of labour out of farming and into industrial employment. It was the first European policy funded by the Community budget's "own resources." It must also be added that the modernisation of European agriculture began with the launch of the CAP. In the ten years from 1961-1971 the productivity index of the Six (measured as the GDP per person in work) rose from 100 to 188 in the area of agriculture and from 100 to 166 in that of industry, and this was accompanied by a marked reduction in the disparity between hourly rates of pay in the two sectors.<sup>6</sup>

Third, the CAP guaranteed the free movement of agricultural products among the Community's founding states and led to the introduction of the European Unit of Account (EUA) — a forerunner of the European Currency Unit (ECU) — that, as early as the 1960s, heralded the advent of the single market of industrial goods and services (1992) and the introduction of the euro (1999). As well as serving for the management of the EEC budget, the EUA was also the unit in which the single European prices guaranteed to farmers were expressed. One EUA was equal to one US dollar and, on the basis of the exchange rate of each of the member states' currencies against the dollar, a system was developed (the so-called "green currencies") for converting into the various national currencies the intervention prices applied on the national markets. It is worth adding that the working of the common agricultural market was upset, at a certain point, by the intervention of external factors, such as the European monetary disorder of the 1970s and '80s and the subsequent introduction of monetary compensatory amounts (discussed further below).

Fourth, the CAP was crucial to the working of the industrial customs union. There could be no free movement of manufactured goods without the free movement of agricultural products. This fact reflected the interests that have, on an economic level, always sustained the Franco-German political axis: while the free movement of manufactured goods favoured Germany, France was the greatest beneficiary of the agricultural policy. It is important also to underline that continued pursuit of the national agricultural policies would have reduced the industrial competitiveness of the Six, with different domestic price levels and differences in the prices of imported foodstuffs producing different

inflationary trends, which is in fact what happened during the years of monetary disorder in Europe.

Fifth, the CAP protected the internal market against upsets due to fluctuations in international prices, producing benefits for European producers and consumers.<sup>7</sup> This is an important point that allows the debate over free trade and political intervention in economics to be approached in more correct terms. The CAP is still a valid argument against the views of those who believe that the European economy would be best off specialising in the production of manufactured goods and services, relying on the world market for its supplies of food and agri-industrial products: it is by protecting its internal market that Europe has saved its consumers from being blackmailed by manufacturers who have a worldwide monopoly on the trade of certain food supplies. Without the CAP, Europe would have been paying a considerable "green bill," in addition to its already hefty "black bill."

Sixth, the cost of the CAP has been modest overall, absorbing, on average, around 0.6% of the EU's GDP, to which must be added a further 0.6% borne by the member states. It can thus be concluded that, with resources amounting to little more than 1% of its annual GDP, the European Community has, through the CAP (regardless of the strengths and weaknesses of the latter) implemented a strategic and successful policy that has brought agricultural development and social peace in rural areas, and rendered Europe self-sufficient in the supply of foodstuffs. When the high costs of the CAP are cited, the fact is often overlooked that the main countries that support free trade in agriculture in fact spend more per farmer than the EU, have state monopolies on the export of food supplies and facilitate considerably and in various ways the exportation of their surpluses. The USA spends 2% of its resources on its federal agricultural policy.<sup>8</sup>

#### *The Defects of the Common Agricultural Policy.*

These considerations on the successes and the relative cost of the CAP do not alter the fact that the policy has produced, over the years, surpluses and distortions of agricultural production that could have been avoided with the introduction, as soon as the initial objectives of self-sufficiency in the supply of foodstuffs had been achieved, of a timely reform. Equally, both the management of the monetary crisis of the 1970s and 1980s and the setting out of the external trade policy failed to address the real nature of the problem.

In reality, the Common Agricultural Policy has been a victim of the functionalist approach to European integration — an integration obtained in the ambit of the Treaties — and of the absence both of a supranational European government and of the relative democratic political decision-making mechanisms. This is a problem that can be appreciated more fully by drawing a comparison with the political situation in the United States. In America, the Presidency and Congress, although both strongly conditioned by local agricultural lobbies and by various opposing interests, regard agriculture as a public asset of federal interest, and manage agricultural policy accordingly. Agriculture is an important element in the complex power equation in Washington where-in food and industrial supplies, price levels, agricultural revenues, research and scientific applications (witness the case of the new biotechnologies), protection of the environment (scant) and of health (witness the vigilant Drug and Food Administration) as well as volumes of public expenditure on the sector, together with the use of “alimentary power,” influence the nation’s foreign policy. This is what happens when poor harvests emerge in China, Russia, or the developing countries of the world. Europeans, it might be recalled, reaped the benefits of this approach during the war and in the immediate post-war period.

Europe’s agricultural policy, on the other hand, is divorced from all the main complementary instruments of intervention (monetary policy as a means of guaranteeing single prices, fiscal policy as a means of determining what resources should be channelled into rural development, overseas policy as a means of rendering internal policies compatible with its relations with the rest of the world and with the opportunities offered by the same).

Unlike the situation in the United States, in Europe, the Commission can only advance proposals, while the European Parliament can do little more than express its views on all the decisive issues relating to agricultural policy, from price guarantee spending to taxation, from the budget to the very modification of the Treaties. In short, it is devoid of any real influence over the question of CAP reform. The only European body equipped with any decision-making power is the Council of Ministers, but this of course is a setting in which national interests are represented and in which the compromise that wins out will always be the one that reflects the prevailing national interests. This institutional deficit became clear as soon as the substantially well-defined and common objective of self-sufficiency in food supply had been achieved, and the political choices for the future began to take shape. In the absence of European

supranational mechanisms for the making and implementation of political decisions, the task of defining new aims and instruments and the role of agriculture in European society and in the world remained firmly in the hands of the national governments and of vested interests.

All this makes it possible to explain three major defects of the common policy: distortions of planning policy and of the market approach; the introduction of monetary compensatory amounts (MCAs), and the trade policy towards the rest of the world.

As regards the first of these, distortions of planning policy and of the market approach, what occurred can be attributed, on a political and technical level, to a series of factors:

1) The only planning element that proved workable, in a framework of defective (intergovernmental) power, was that of intervention on prices, which were always set somewhere between the minimum and maximum levels demanded by the national agriculture ministers and their lobbies.

2) The system of agricultural prices and the buying in of surplus produce at guaranteed prices favoured a progressive increase in production, at a rate superior to that of the market’s consumption capacity (+2% annually vs 0.5% respectively).

3) For a long time, no limits were placed on how much should be produced or how much surplus bought in; this led to the creation both of costly stocks of unwanted produce and of tension in relations with certain trade partners in the world whose markets were being damaged by Europe’s subsidised exports.

4) Intensive farming methods, encouraged by the intervention price guarantee, have had negative repercussions on the environment, favoured the diffusion of single-crop farming and led to the disappearance of thousands of traditional vegetable species, swept aside to make room for more profitable ones, as well as the spread of breeding and fertilising systems that have upset the natural balance between man and plant and animal life (“mad cow” disease, dioxins, nitrates).

5) The price regime most benefited the larger, more competitive units of agricultural production and failed to take properly into account the incomes of the overwhelming majority of small and medium size agricultural operations run at marginal cost.

6) In view of the difficulty in removing the structural causes of the underdevelopment seen in the Mediterranean areas, the measures designed to favour the region’s wine and fruit and vegetable production assumed the character of a relief measure and, in this sector too, generated excess

production and waste.

7) Because of the continuous increase in expenditure, which for years funded waste rather than sustainable growth, the guarantee system gave rise to a difficult situation between European countries, which could be categorised as the net payers and the net beneficiaries of the system.

It can also be added, once again, that the intervention price guarantee (in practice, the buying in of surplus produce at a guaranteed price in order to prevent prices collapsing) not only distanced farms from the market and created vested interests (many agricultural operations were farming for intervention buying rather than for the market), it also created a rent effect that kept the value of land high and thus impeded the buying and selling of land and, as a result, the creation of efficient farms.

The second major defect of Europe's Common Agricultural Policy resulted from the attempt to create a common market in the absence of a single currency. A common currency<sup>9</sup> did, in fact, exist in Europe in the '50s and '60s: it was the dollar that, in the context of the international fixed exchange rate mechanism established at Bretton Woods in 1944, served as the currency of reference for all the European national currencies. In fact, the monetary compensatory amounts that upset the European fixed price regime were introduced when this fixed exchange rate system broke down. The crisis came to light at the end of the 1960s, starting with the devaluation of the pound in 1967, but its impact on the Common Agricultural Policy was not felt until 1969. In August that year the French franc underwent an 11.1% depreciation, which was followed, in the October, by a 9.25% revaluation of the German mark. A mechanism was introduced that, intended as a temporary measure, instead became established as the international monetary system entered a definitive crisis, in the wake of President Nixon's decision (15th August 1971) to abandon the gold convertibility of the dollar and the subsequent propagation of exchange rate fluctuations.

This mechanism was a clear reflection of the pressure exerted on the governments by the various agricultural lobbies. The French franc-German mark crisis mentioned above, a crisis that later extended to other European currencies, upset the system of prices expressed in EUAs, whose function was to preserve the institutional uniformity of agricultural prices in trade exchanges between member countries. To guarantee the free movement of agricultural products within the common market, the single European prices were maintained. However, unlike the what was happening within the common market as far as manufactured goods were concerned, in order to prevent the spread of inflationary effects in coun-

tries with a devalued currency and a squeeze on agricultural revenues in those whose currency had undergone a revaluation, the national agricultural prices were left at their own levels, only to be translated into single European prices on the basis of special conversion rates ("green rates"). Furthermore, in order to prevent speculative behaviour (i.e., an increase in demand for the products of countries with a weak currency and a reduction in the demand for the products of countries with a strong currency), it was decided that MCAs should be levied as taxes on the former (negative MCAs) or paid as subsidies on the latter (positive MCAs). The mechanism proved to be extremely costly, and indeed underwent a series of revisions. Today, it is possible to affirm that the MCAs certainly had the effect of guaranteeing, without discrimination, the free movement of products within the common market and in trade exchanges with third-party countries, but they also encouraged a re-nationalisation of agricultural policy, and benefitted, above, all the countries with a strong currency whose competitiveness they protected. It was not until 1999, and the introduction of the single currency, that the process of removing the MCAs could be embarked upon.

The third defect was the lack of a coherent strategy for the management of the Common Agricultural Policy. A foreign trade policy would, like the single currency,<sup>10</sup> have necessitated the creation of a European federal state. The lack of a supranational government, capable of developing a coherent and responsible strategy to govern external relations, has repeatedly exposed the EEC to the diktats of successive US administrations, expressed at GATT trade liberalisation negotiations. On other occasions, it has induced the Commission and the national ministers, in deference either to some mistaken notion of free trade or to vested interests, to grant third-party countries trade concessions that, in certain regions, are not compatible with the protection of the rural economy and environment.

It is emblematic to recall that following the opening of the markets to duty-free imports of manioc, soybean and corn gluten, requested by the United States in the 1970s, animal breeding in Europe, which had previously been forced to rely, for feed, on more costly European cereals, on pastureland and on the production of alfalfa, became even more economical. This had two negative effects: it led to an increase in the production of meat and milk products and to an increase in cereal surpluses, due to a fall in internal demand (again an effect of the competition originating from these imported animal feeds). What is more, as a result of agreements reached at GATT negotiations, the EU

still today can neither facilitate its own production of soybean, nor subsidise the grinding of the protein crops, which are used in animal feed.

Burdened with excessive stocks, the European Community seized the opportunity presented by the Soviet Union's agricultural crisis of the 1980s to export, at subsidised prices, its surpluses of cereals, meat and dairy products, taking market shares away from the United States and other major producers and becoming, temporarily, the world's largest exporter of agricultural products. This prompted a bitter dispute with Washington and other capitals, a dispute that was not resolved until the 1995 Marrakech agreement that imposed a 20% reduction, over three years, of internal aid for agriculture, the abolishment over six years of 36% of all export subsidies and finally deregulation of market access through the replacement of all protectionist border measures with tariff equivalents, in other words with import duties (to be reduced by 36% over six years).

Another apparently ill-considered trade policy measure was the opening up of the European market to imports, from third-party nations, of rice, meat and flowers — a measure that was destined to throw the rural economy of vast farming areas into crisis, undermining efforts to safeguard the environment and the European territory without, as we shall see, making any real contribution to solving the development difficulties of the exporting nations.

*Attempts at Reform Caught Between Internal and International Restrictions.*

The perverse effects of the CAP on the price policy are not a new development: in fact they were witnessed quite early on, as soon as the objective of self-sufficiency in the supply of foodstuffs had been achieved. A first attempt to correct the instruments that had been introduced was seen in the European modernisation plan developed by Commissioner Sicco Mansholt. His 1968 Memorandum, despite generating little support as a result of the reactions of professional organisations, is still today worth recalling because it constituted the basis of inclinations that were later to emerge. In Mansholt's view, restructuring should be regarded as a priority and strategic intervention, while the internal price policy should be solely a temporary and short-term measure — a safety net serving to protect farmers from the effects of fluctuating trends and to support them during the period of structural change.

A subsequent development came in 1972, when the Council of

Ministers issued three social-structural directives, on investments, on abandonment of the farming profession and on training, that later opened up the way for a series of schemes: early retirement, reorganisation schemes, aid for selective investments supported by development plans, measures to promote the marketing and transformation of agricultural products, sector-based or regional development programmes, aid to encourage cooperation between producers and regional support for mountainous and disadvantaged areas.

It is, again, important to underline that the CAP, despite the inter-governmental restrictions placed on it both by the European Community and by vested interests, managed gradually to assimilate a growing awareness of the need for a new role for agriculture — for an evolution away from the initial objectives of growth (in quantity terms). Over the 1980s, increasingly widespread attention was paid to structural policies and rural development, starting with the Integrated Mediterranean Programmes of 1985, which were geared at modernising agriculture in the continent's Mediterranean regions following the accession of Greece, Spain and Portugal. However, the first real project came with Jacques Delors' reform of the structural funds in 1988. A multi-fund mechanism was introduced, which combined the capacity for intervention of the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the EAGGF. The rural sector was once again targeted for intervention, a policy being developed (with specific objectives, principles, instruments and financial means) that was gradually refined through Agriculture Commissioner MacSharry's reform of 1992, the Maastricht Treaty, which came into force on November 1st 1993 (see Art. 130), the Agricultural Strategy Paper of December 1995, the final declaration of the Cork Conference of 7th-9th November 1996, which acknowledged the multifunctional character of agriculture and its key role in the rural sector, and the simplification of the complex management of the agricultural, regional and social funds through the creation of a Forum for economic and social cohesion (Spring 1997).

Alongside these interesting developments, it must also be remarked that, at the end of the '80s, the urgent need for a reform became increasingly evident for internal reasons (the increase in both stocks and Community expenditure) and also as a result of international constraints (the GATT negotiations). The outcome of the debate was the aforementioned MacSharry reform of 1992, which must be acknowledged for recognising the negative effects on rural areas of the excessive intensification of farming, for recalling the need to impose controls on the

use of water resources, and for underlining the opportuneness of placing restrictions on the further specialisation of production and on further increases in the size of agricultural operations, pointing out the environmental advantages and the return to be gained, in an economic sense and in employment terms, from organic farming, mixed farming and old fashioned crop rotation.

The MacSharry reform sought, in the sphere of intergovernmental power relations, for the first time to trigger a reverse trend in the area of support for farming: the principles remained the same, but the mechanisms were changed, with a shift away from price support towards direct payments. The reform was applied to cereals since this was a sector that, as we have seen, stood to gain nothing from increases in demand for animal feed due to excessively high internal prices and increasingly fierce competition from cereal substitutes, such as soybean, manioc, and corn gluten, which the Community, bowing to international pressure, had allowed into the market tariff free.

Basically, in order to restrict internal production and bring prices closer to those applied on the world market, the 1992 reform led to a drop in prices in the seed crops (-29%) and beef (-15%) sectors, to the establishment of schemes to compensate farmers for loss of income, to the introduction of set-aside incentives as a means of controlling production levels, and to the introduction of accompanying measures: the agri-environment scheme, afforestation and early retirement (50% of farmers are over 55 years of age). The reform affected the oilseed regime, favoured the development of white meat (in relation to red meat) production, and led to a 2% reduction in milk quotas, but it did not touch the regimes for tobacco or lamb/mutton.

The MacSharry reform succeeded in reducing rapidly cereal stocks (from 30 million tons in 1993 to just 3 million in 1995), in reducing seed crops and the use of fertilisers and pesticides, and in increasing the use of cereals in European industry. In the view of many, it managed, by bringing the interventions into line with world trade, by reducing agricultural surpluses, and by containing production costs, to soften the blow of the reduction of institutional prices and protection. That said, the 1992 reform failed to deal adequately with other structural defects; instead it generated an increase in common expenditure (the burden on the Community budget) as a result of the shifting of charges from the consumer to the tax-payer; it also preserved rent, production quotas and increased the gap between continental and Mediterranean producers.

But the MacSharry reform did provide the basis that allowed the

Community to enter the Marrakech round of GATT negotiations with increased bargaining power.

*The Agenda 2000 Package and the New Challenges for European Agriculture.*

To date, the (extremely limited) processes of reform that have emerged through cooperation between the governments of the EU member states have been conditioned by constraints both internal and external. The former are due to the increased spending on the CAP and the friction that this has produced in relations between the member states (respectively net contributors to and net beneficiaries of the resources generated). The external constraints, meanwhile, are the result of international pressure — this often takes the form of reprisals over the dumping of European exports — for an opening of the EU market. Even the Agenda 2000 compromise (over the CAP and the enlargement of the EU to the countries of central and eastern Europe and the Balkan area) reached by the Berlin meeting of the European Council in 1999 reflects, more than anything, a balancing of national agricultural interests and budgetary constraints.

The paradox that emerges, above all, from the compromise reached over budget resources, is that the Agenda 2000 not only fails to strengthen and extend European integration, it actually helps to slow the process down. The main concern was, for a six-year period (2000-2006), to keep the size of the Community budget stable, below the ceiling of 1.27% of the EU's total GDP, thereby subordinating structural enlargement objectives and objectives that are in the general interest to the limited resources available. This is the consequence of the progressive drying up of the "own resources" that fund the European Community budget (customs duties, agricultural levies and a quota of national revenue from VAT), itself an effect of international trade liberalisation and tariff reduction policies. In 1999, it was calculated that "own resources" together account for less than 50% of the community budget (with duties and levies together accounting for less than 15%), with the rest coming from the national budgets (percentage quotas of each country's GDP). This prompts a series of typically Thatcherite calculations: Germany contributes 28% of the Community budget and receives 14.1% of the total, as well as a similar quota for agriculture; France contributes 17.5%, receives 17.1%, but receives a higher share of agricultural expenditure, 22.5%; Italy pays 11.5% of the total, and gets 11.8% in return, as well as

a 12.5% quota for agriculture, and so on. In this setting, political conclusions are bound to be drawn, with the result that each EU country seeks to contribute as little as possible to the Community budget, while at the same time seeking to maximise its return, thus limiting the overall resources available for the implementation of Community policies.

This result clearly goes against the ambitions of the EU and the new challenges it faces, beginning with the crucial one of its enlargement. It is a contradiction that again appears even more marked when a comparison is made with the US situation: in Europe, we see the governments of the member countries placing a limit (1.27% of the total GDP) on Community budget resources for a six-year period (2000-2006) and hailing it as a great success, while the government of the United States has at its disposal a mass of resources amounting to 20% of the GDP.

Enlargement to central and eastern Europe will bring a confirmation and strengthening of the EU's supremacy as a world trade power and, at the same time, have two strategic repercussions on its international relations. The first of these is linked to the fact that the EU is an innovative, productive and social model of supranational integration of different production systems, within whose ambit it is possible combine efficiently a programme (objectives, principles, instruments and interventions) and a continental market (free movement of people, products, capital and services) in the realisation of an agricultural system that is multifunctional and technologically advanced (environment, rural economy, research and employment). The second repercussion will be a strengthening of the interest that Europe, as the world's leading commercial power, will have in the development of an ordered international trade system embracing world areas that have reached different levels of development.

These three challenges — enlargement, a multifunctional agricultural system and an ordered international trade system — must be examined in greater depth, also from the viewpoint of the opportunities they offer the European Union. However, it must first be made clear that these three challenges require a limited increase in the resources for the European Community budget, since the real problem is the capacity for democratic government of a Union that is currently thrown into crisis by the prospect of increasing even by 0.25% the resources available for the common policies. European agricultural reform thus depends on a deep-reaching review of the political decision-making mechanisms, which must be rendered democratic and freed from the sole dominion of intergovernmental relations.

*Enlargement to the Countries of Eastern and Central Europe and the Balkan Area.*

The countries of eastern and central Europe and the Balkan area are faced with severe environmental problems, are dependent on external food supplies and need to implement a radical reorganisation of their production and distribution system. After the fall of the communist regimes, privatisation triggered, in these countries, a vast, but still insufficient, restructuring of their agricultural-food systems, and in particular their processing of primary products. According to the Agenda 2000, the agricultural sector is (in terms of its surface area, its contribution to the GDP and the number of people it employs in relation to the total active population) relatively more important in the countries that are candidates for accession than in the present EU member countries. In these candidate countries, more than 22% of the workforce, that is to say a total of 9.5 million people, is employed in agriculture, which still generates 9% of the GDP. In the EU, on the other hand, only 5% of the working population is employed in agriculture (8.2 million people), which contributes just 2.4% of the GDP. Furthermore, while labour productivity in the east and central European and Balkan area is just 6% of that recorded in the EU, in the case of agricultural productivity, the figure rises to 16%. Thanks to the acceleration of modernisation processes, which could make it possible in a short space of time to begin to realise the potential of local production, agricultural production in these countries has great growth prospects. At the same time, enlargement will increase Europe's agricultural land by 60 million hectares (40%). Two thirds of these extra 60 million hectares will be seed crops, bringing a 55% increase (to 77 million hectares) in the surface area of seed crops in the EU, even though it will be land of varying quality and exposed to differing climatic conditions. Beetroot, milk and meat production are also set to rise.<sup>11</sup>

The fifteen EU states are thus faced with the problem of enlarging the market organisations and structural funds to the new members and of procuring the resources needed to fund the same. On a practical level, however, it would not be possible to extend current structural and market policies to these countries immediately as this would expose central and eastern European consumers to a rapid and excessive increase in the prices of basic products. Applying the CAP rules to the candidate countries would not only necessitate the injection into these economies of a staggering volume of resources, it would also lead to an increase both in surpluses and in these countries' internal price levels. Since it is known



that the process of accession will, in any case, lead to an increase in local demand and in prices themselves in the new member states, the provision of aid, in the form of compensation payments under the CAP rules, to farmers eastern and central Europe and the Balkan area would not therefore be justifiable. Furthermore, the prices that are guaranteed to western farmers in accordance with the CAP are around a third higher than those in force in the candidate countries and on the international markets, and are thus destined to fall.

In view of the backwardness of the candidate countries — the purchasing power of their citizens is only around a third of that enjoyed by the current EU citizens, the competitiveness of their products and their cost of labour is low and the managerial capacities of their farmers are less well developed than those of their western counterparts due to the lower technological content and quality of their produce — enlargement will demand a colossal effort of union. Indeed, in the light of this backwardness, targeted structural intervention, rather than price support, will be decisive where these countries are concerned, and it will have to be accompanied by considerable legislative efforts to define the legal framework of the sector and the organisations that will manage it, the control of the markets, the modernisation of the production units and, above all, to guarantee a higher standard of veterinary and phytosanitary controls.

#### *The New Multifunctional Rural Model.*

Alongside the precautions that are necessary in view of the problems linked to enlargement of the Union, consideration must also be given to several important opportunities it offers. Upon the accession of the candidate countries of central and eastern Europe, a production system will come into being able to boast broadened continental dimensions and the capacity to serve a population of over half a billion, a population characterised by rising average per capita incomes (the candidate countries being likely to achieve relatively quickly levels close to the average ones recorded within the Community, which is what happened in the case of the Mediterranean member states). This will be accompanied by an extension, to the new members, of EU standards (in terms of both quantity and, above all, quality) of food consumption. This will result, on the one hand, in possible greater autonomy for the EU as regards its supplies of commodities (cereals, sugar, meat and milk) and, on the other, in greater attention to Mediterranean agriculture, local and quality products, meat,

milk-dairy products, fruit and vegetables and alcoholic drinks. In view, too, of consumer preference for organic produce and concerns over food safety, there are real prospects, also in the light of the current evolution of European policy towards rural areas, for the creation of an organised continental market, with the capacity to serve as a world model of legislation for the safeguarding of the environment, the protection of human and animal health and the defence of the historical and cultural values of rural areas. Thanks to the presence of a highly advanced system of services and industry, that of agricultural production, food processing and distribution and the production of renewable raw materials now has the opportunity to become more enterprising and competitive.

If these premises are valid, European agriculture must now choose the direction in which it wishes to move. Historically, agriculture has remained impassive in the face of growing industrialisation and the birth of the new information and telecommunications-oriented society. Today, however, the multifunctional character of agriculture is widely acknowledged and thanks, indeed, to progress in telecommunications, information technology and transportation, it is now possible to bring down the last production, cultural and environmental barriers that separate the industrial system from the rural system, the town from the country, the leading role played by the cities from the distribution of functions throughout the territory, and centralised decision-making systems from those operating in networks. Basically, the time is ripe for agriculture, as part of a multifunctional rural system, to stipulate a new “social contract” that might lead to the affirmation of a European model, developed according to complex social and production criteria, that has the capacity to combine a programme and an integrated continental market — a model that, allowing ordered trade between large areas, can be presented to the world as an alternative to the current, disorganised free trade system.

European agriculture can thus become the ground for a highly advanced experiment potentially involving a range of choices — ethical, scientific, production, environmental, social and cultural — and capable of giving decisive answers to the burning issues, such as animal cloning, genetically modified food and organic farming, that are at the very heart of the current debate over man’s relationship with his own health, and with the health of the land and of animal and plant life. It is time for agriculture to stop being the Cinderella of the production sectors, and to break free from its dependence on aid and from the clutches of vested interests, in order to regain a capacity for enterprise that will put it on a par with the other production sectors. One point, however, remains to be

clarified. A production system that focuses on high quality, and on the safeguarding of health and of the environment cannot be expected to compete with systems that are not required to respect the same obligations.

*The Millennium Round after Seattle.*

The Millennium Round negotiations, whose content, following the failure of the WTO meeting in Seattle (30th November – 3rd December 1999), has altered to reflect the increasingly insistent demands of civil society for a multifunctional role for agriculture and for protection of the rural economy, represent the third challenge immediately facing the EU.

This new content emerged clearly in the three documents presented in Geneva at the end of June 2000 to the Secretary General of the WTO by the European Commission prior to a special session of the Agriculture Committee called in response to the request, on the part of the United States and Third World countries, for access to the European market for their agricultural surpluses. They also reflect a change in direction away from the purely commercial market access objectives that had dominated previous WTO and GATT negotiations. Brussels, for its part, affirmed, first of all, a crucial principle — that the liberalisation of trade should not be allowed to compromise each country's right to take into due account, in the sphere of agricultural production, environmental concerns, the issue of food safety and quality and animal welfare. In practice, it made it clear that in agriculture, "non trade concerns" prevail over commercial interests. The Commission went on to underline the conclusions that derive from these premises, stating that countries sensitive to these needs have the right to protect their agricultural system and to enable their farmers to meet the demands of civil society.<sup>12</sup>

This position represents a marked evolution in relation to the terms of the WTO Agriculture Agreement reached in Marrakech on April 15th 1994, which incorporated undertakings on the part of the developed nations to reduce internal support, to open the national markets through the introduction of reducible tariffs in place of non-tariff barriers and, finally, to reduce subsidised exports.

Substantially, the EU, having obtained in Seattle recognition of agriculture's multifunctional character, made it clear that it could not engage in negotiations whose sole objective would be the opening of its agricultural market and, as a result the giving of ground on the part of European agriculture, which instead has a vital role to play in territorial protection and in the protection of rural society. In reality, the EU, with

its 6% of the world population (increasingly ageing and certainly overfed), cannot become the outlet market for agricultural surpluses from all the world's other regions, which, basically, was the threat contained in the Marrakech agreement. Furthermore, it should not be forgotten that the EU is already the area most open to international agricultural trade, being the world's largest importer and second largest exporter of agricultural products.

There is a second aspect of the stance adopted by the EU in Geneva that is worth underlining. It is, in a certain sense, even more significant, since it can give world agriculture a more definite and forward-looking outlook than the indiscriminate liberalisation agreed in Marrakech is able to. According to the Commission's document, the only strategy that can be pursued in order to achieve balanced and sustainable development in the world is that of safeguarding agricultural production wherever it has traditions or prospects. It is a strategy that is central to efforts to encourage all the countries of the world to produce, primarily, to meet the needs of their own populations, in ways that respect the environment, cultures and traditional consumption.

Exporting to Europe, let it be clearly understood, is no solution to the problems of Africa, Latin America or Asia; it leads to a spread, in the Third World, of intensive single-crop farming of produce destined for exportation to rich countries, a practice that is exploited by large multinationals, by commercial enterprises, and sometimes by corrupt politicians. And this occurs at the expense of the environment and instead of producing to meet the needs of the local population, who as a result are left dependent on the great world trade machine. It is true that not all countries can produce enough to render themselves self-sufficient, but the objective could nevertheless be pursued through the formation of macro regional continental areas within which it would be possible, with the support of appropriately oriented agricultural policies, to achieve the free movement of goods, the effective division of labour and efficient production.

This is substantially what happens within the single European market, the US market and the Chinese and Indian markets, and it corresponds to the recommendation made by Seixas de Costa, the EU president-in-office in Spring 2000,<sup>13</sup> when he pointed out that while the countries of the southern Mediterranean demand that their agricultural products, if not their people, be allowed free access to the EU, they fail to practise the interregional cooperation that, by creating a regional market capable of attracting foreign investments and realising an efficient division of

labour, would certainly constitute a mechanism that would enable them to develop.

*A World Strategy for European Agriculture.*

The European Union is thus faced with three immediate challenges that throw into question the traditional order of the CAP. In order to confront enlargement, the affirmation of a multifunctional rural economy and trade negotiations, what is needed is an overall political design. This design must be able to combine enlargement and reform of the CAP in pursuit of a multifunctional agricultural system that, on the one hand, is open to the world, and on the other, is supported by international alliances and the organisation of macro-regional agricultural markets in other continents, so as to strengthen the role of the WTO in the building of a new international economic order.

What needs to be underlined at this point is that the Millennium Round agricultural negotiations are a crucial element as far as the consolidation of the WTO is concerned. Indeed, if the intention is to strengthen the WTO in the context of the new negotiating round due to begin in Qatar in November, and to affirm a new international mission to renew and enlarge European agriculture, the EU, equipped with a broad political design, needs to become the leading player in the world negotiations, just as the United States did when, after the end of the Second World War, they launched an international liberalisation of trade in the new bipolar system.

On an internal level, this design must focus on building the agriculture of the candidate countries into a framework for the development of a market-oriented rural economy that also adheres to high standards in environmental protection, human health protection, animal welfare and the safeguarding of plant life. This means mobilising research and development, capacity for enterprise, market controls and the financial resources needed for structural policies geared at the protection of the environment, of health and of society. Naturally, the relevant objectives, principles, instruments and resources cannot be determined through the intergovernmental method; instead they must be decided through democratic procedures implemented within the context of reformed European institutions.

On an external level, the bases for this strategy stem from what took place in Seattle in 1999. Certainly, the meeting failed, in a diplomatic sense, with no convergence being reached in the negotiating positions of

the main partners: the United States and the EU; but it also failed, on a political level, as a result of the demonstrations by protesters claiming the right to interfere in the management of the globalisation process. In Seattle, it emerged clearly that globalisation, on its own, cannot build a great world market capable of constituting a "common asset" from which all parties might benefit. In the wake of Seattle, it is no longer possible to debate questions of trade without taking into consideration the fact that new problems have begun to erupt on the world market, problems linked to technological hegemonism, to developmental models based prevalently on export, to competitiveness falsified by fiscal, social and environmental dumping, and to positions of strength gained through the use of food or energy as a weapon.

In Seattle, it was realised that globalisation needs to be governed and that large organisations like the WTO, which are still based on hegemonic relations between states, cannot guarantee adequate solutions to the problems of mankind. Obviously, the ultimate reference model for the governing of globalisation will have to take into account both current taking shape of an integrated civil society and, as a result, the affirmation of representative, democratic forms of government within the international organisations that govern the world.<sup>14</sup>

*A Federal Constitution for the European Union.*

The problem that came to light in Seattle is thus both political (the overcoming of hegemonic relations in the world) and institutional (the establishment of democratic control over the current process of globalisation on the part of an evolving world civil society). To solve it, it is necessary to identify the subject responsible for this new "democratic government" of globalisation and the gradual strategic course that must be followed in order to introduce the same.

Today, only the European Union, providing it proves able to create an effective structure of government, has the capacity to express the will to ensure, through the strengthening of the international organisations, that the world system of states continues to remain open and in a state of evolution. The EU itself is, in both an economic and a political sense, the most advanced model of supranational unification that there is, and it is in its own objective interests to promote the development of multilateral rather than hegemonic relations. The United States, on the other hand, is showing signs of a growing disenchantment with the organisations that protect the multilateral trade system that the US itself successfully

promoted between market economy countries in the years following the end of the Second World War.

This is a fundamental strategic point and also a starting point for the EU's efforts to become leader of the process, combining internal reform of its agricultural policy with the Millennium Round negotiations.

Europe's interest in new, multipolar, balances of power in the world is real and has a structural basis. The affirmation of peaceful relations with the rest of the world, relations that are based on cooperation, is in the objective interests of Europe as a whole, none of whose plans — in the military, energy, technological or financial spheres — contain hegemonic instruments, even though Europe does enjoy a strong negotiating position in all these areas of contrast and collaboration.

The EU is the world's biggest trading partner, indeed it is the second largest exporter and the largest importer (in volume terms) of agricultural products. Its influence on international trade is not the only reason why Europe has an objective interest in the orderly working of the world market. The EU is more open to overseas trade than other industrial areas, which means that its internal economy is more sensitive to the effects of external circumstances affecting both its exports of manufactured goods and its importation of raw materials (witness the sensitivity of Europe's economic cycles to oil prices). This means that its interest in keeping the structure of international trade open is subject to the need to see the same regulated on an exchange rate level (one might think at this point of relations between the euro and the dollar) and on a legislative level, through the introduction of rules to guarantee fair competition and of environment and social-health protection regulations.

In short, it falls to the EU to shoulder the burden of political leadership; but it has to demonstrate its capacity to take on the role and to bear the responsibility that comes with being a great world power, able to offer the world a model in the social and production spheres that is convergent with the interests of the forces of reason at work in other countries. It is a role that, if destabilisation of the post-bipolar world order is to be avoided, the EU must take on quickly, equipping itself with the necessary capacity for democratic decision-making and action — a capacity that the instruments of intergovernmental cooperation do not allow it to acquire.

What Europe needs, as an initial strategic step, is a new institutional framework with the capacity for democratic, supranational government. And this framework can only be provided by a federal constitution. The prospect of this was opened up last year (though the interventions of the

German foreign minister Joschka Fischer and other authoritative European figures) making it possible to believe that, in the wake of the Nice summit, a constituent political cycle might be started in Europe leading to the definition of the new federal institutions — even if this development is restricted to a vanguard of member states — and of the new supranational policies that Europe so urgently needs.

## NOTES

<sup>1</sup> The World Trade Organisation (WTO) is the international body whose establishment, prompted by the EU, was the most significant result of the Uruguay Round trade negotiations. It was set up to ensure order in world trade and to regulate the liberalisation of international trade. The WTO replaced the GATT (General Agreement on Tariffs and Trade) secretariat, the provisional body created to govern the process of the liberalisation of trade at world level that followed in the wake of the failure of the 1947 conference in Havana.

<sup>2</sup> For a rapid historical overview of the launch of the CAP, see Jacques Loyat and Yves Petit, *La politique agricole commune (PAC)*, Paris, La Documentation française, 1999, and Various authors, *Agenda 2000 e la riforma della pac*, Rome, Confederazione Italiana Agricoltori, 1999.

<sup>3</sup> The Common Market Organisations (CMOs) intervene to guarantee the prices of over 60% of agricultural products. In the case of cereals, rice, sugar, milk and dairy products and beef, these organisations guarantee both the buying in of surplus produce and protection against imports (through price setting). Depending on the production sector in question, they can also guarantee: price support and direct aid for farmers (cereals, durum wheat and olive oil), direct aid (oilseed, linen, hemp and cotton), import price protection and export subsidies (poultry and eggs), import price protection regimes (some fruit and vegetable produce). The guaranteed internal prices policy (target prices, threshold prices for imports from third-party countries, intervention prices for the public buying in and storage of surplus), let it not be overlooked, undoubtedly played a decisive role in increasing strategic production, particularly of food produce from continental agriculture (cereals, meat and milk).

<sup>4</sup> The European Agriculture Guidance and Guarantee Fund (EAGGF) can be divided into two sections: the *guarantee section* (that absorbs 90% of the fund) is currently spent on direct payments to farmers and on the price support policy, in roughly equal measures. Price and market policy expenditure is "obligatory expenditure," decided by the governments of the EU member states and not open to question in the context of the European Parliament's debate of the Community budget. The *guidance section* is structural in nature and used to help fund farm modernisation programmes and to help set up young farmers, and also as aid for rural transformation, commercialisation, diversification and development programmes. These interventions are conducted in a decentralised fashion in collaboration with the states, which also co-fund them. In the 1980s, the objectives of the guidance section were, together with the social and regional funds, incorporated into a new structural policy mechanism. The EAGGF absorbs, overall, almost 50% of the European Community budget

and, since an inter-institutional agreement was reached to reduce agricultural spending, the budget plan specifies annually the forecast requirements.

<sup>5</sup> See Various authors, *Agenda 2000 e la riforma della pac*, cit.

<sup>6</sup> For further considerations, see Dario Velo, "Il mercato comune agricolo e il processo di integrazione europea", in Various authors, *Il mercato comune agricolo*, Florence, La Nuova Italia, 1979.

<sup>7</sup> To appreciate the way world price fluctuations affected farmers' incomes and consumers, it is useful to consider the fact that, between January 1995 and Summer 1998, international grain prices fell, as a result of the financial crisis in South East Asia, from 400 US cents per bushel to 200 US cents, having peaked at 600 in the Spring of 1996. See Michael Smith and Nikki Tait, "Down on the Farm", in the *Financial Times*, 7th January, 1999.

<sup>8</sup> See Various authors, *Agenda 2000 e la riforma della pac*, cit., p. 19.

<sup>9</sup> It is worth stressing here that there is a difference between a single currency, like the euro, the dollar, the pound and even the old national currencies, like the German mark, the French franc, the Italian lira, which circulate in an exclusive and sovereign fashion, and a common currency, like the eurodollar, the ECU, the EUA and the Special Drawing Rights (SDRs), which can serve as reference units for determining the value of the currencies to which they are linked.

<sup>10</sup> The euro, indeed, as a single currency is supported by the European central bank, which can be regarded as the second great foundation stone in the construction of a European federal state, the first being the direct election of the European parliament. Both remain unstable, however, as they await the introduction of a federal constitution, the decisive step that would mean their consolidation, as recognised in statements by authoritative figures like the German foreign minister, Joschka Fischer, and the presidents of Italy and Germany (respectively, Carlo Azeglio Ciampi and Johannes Rau) and others.

<sup>11</sup> See, "Agenda 2000. Per un'Unione più forte e più ampia", in *Bollettino dell'Unione europea*, Supplement 5/97, Luxembourg, European Commission, p. 116.

<sup>12</sup> See, Ferdinando Riccardi, "Al di là della notizia", in *Bollettino Quotidiano Europa*, 10-11 July 2000, pp. 3-4.

<sup>13</sup> See, Ferdinando Riccardi, "Al di là della notizia", in *Bollettino Quotidiano Europa*, 3-4 April 2000, pp. 3-4. In the editorial, Riccardi also relates an opinion expressed by European agriculture commissioner Franz Fischler who, referring to the effect of "globalisation on the environment, on health, on social norms and on cultural diversity," remarked that the European agricultural model offers an answer to these worries and, more than mechanical calls for a total liberalisation of agricultural trade, is able to offer agriculture future-oriented prospects.

<sup>14</sup> See, Alberto Majocchi, "Il dopo Seattle e i limiti della globalizzazione", in *Piemonteuropa*, December 1999; Guido Montani, "Globalizzazione, spontaneismo e democrazia", in *L'Unità Europea*, December 1999.

## Notes

### FROM EUROPEANISM TO FEDERALISM

Federalists, above all beginning with the phase of constitutional gradualism, have always appealed to widespread Europeanism, and in particular the Europeanism of governments, to move forward the process of European unification. The partial objectives that have been tabled, once achieved, were meant to accentuate contradictions whose resolution would be sought in unification. Each of these objectives was therefore viewed by federalists not as a possible answer — one that would be acceptable to governments — to a problem of *governance*, but instead as a means of placing on the agenda the problem of *the government*, that is to say the creation of the federal state. All this in the full awareness that, if the contradictions were not resolved through the federal solution, Europe's "de facto unity" (the framework of necessary collaboration that is the basis for the persistence of pro-European attitudes) would have kept the process open, allowing it to lead, sooner or later, to a new potentially constitutional objective.

But all this is no longer the case. Now there are only two possible scenarios: either Europeanism will turn into federalism, that is, into the identification and pursuit of the European federal state, or, as is in fact already occurring, nationalism will begin to emerge from behind vague pro-European affirmations.

It is certainly true that, since the initially strong inclination towards European federation was lost with the collapse of the EDC, protection of national interests has, throughout the process of integration, constantly underlain the politics of the European states. It is also true that collaboration between the states has been nothing more than an attempt to keep the national framework alive in a setting that growing interdependence was rendering too narrow to allow guaranteed socio-economic development and security. This mechanism spawned a dialectical process that, as such, comprised, in relation to the advance towards unity, both a driving force and a braking force.

But since it has now become a question not so much of the advance

of the process as of the definitive overcoming of its impasse, defence of the nation-state takes on the crude connotations of a kind of nationalism in which the idea of the protection, to the bitter end, of the nation's existing powers and, ultimately, of the power of the heads of government, is strengthened. In other words, as long as the building of European unity remains within the sphere of Europeanism, the value of the nation will prevail over other group values. This was seen at the Nice summit last December and has also emerged in some of the interventions in the debate that that meeting fired. All this is, without doubt, influenced by the de facto situation in which Europe currently finds itself: the single currency and enlargement of the Union, already decided, have altered the terms of the European situation and this is something that the governments cannot ignore. Indeed, this is why the crucial issue of institutional reforms is currently becoming a focus of reflection and a subject on which governments and the political class are being forced to speak out. However, in the majority of cases, while the institutional formulae that they propose seem innovative, they are, in fact, substantially geared towards national preservation.

It is too soon to say whether the positions of these lukewarm pro-Europeans, which would set the Union on the road towards its own dissolution, will win through, or whether, instead, it will be the views of those who sustain the federal model that will prevail. It is, in any case, the job of federalists to strip away the mask from spurious solutions, to indicate the right solutions (as well as how to achieve them) and, as always, to gather around these the consensus and support of all those who are beginning to appreciate the true nature of the impasse that Europe has now reached.

In order to unmask false solutions, it is important that we do not allow ourselves to be taken in by the words used by politicians, words that, to a greater or lesser degree, they unintentionally mystify and which thus often conceal meanings that are totally different depending on the context in which they are used and the intentions of whoever is using them. The words "constitution" and "federation" are now frequently on the lips of many politicians and government figures, but the meaning attributed to them by those thinking in terms of the creation of a federal state is not the same as that which they are given by those wishing to preserve the confederal framework.

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The contradictions that imprison defenders of the confederal

framework are numerous and clear to see. For example, France's minister for European affairs, Pierre Moscovici, responded (on 10th May, 2001) to Chancellor Schröder's proposals for federal reform of the European institutions by asking questions about the "balance between European integration and intergovernmental cooperation" and about the role that must be retained by the national governments. And his answers to these questions were quite definite: European integration must move forward, but with due respect for the role played by the national governments, and, to this end, the Council of Ministers cannot become the lower chamber of a European Parliament. He then, quite rightly, raised the question of the legitimacy of the European institutions, that is to say the problem of democratic European statehood, but at the same time denied the importance of the same, defending, rather, the role and the independence of the national governments that he regards as the sole legitimate expression of the European peoples. When he predicts that Europe will become "a federation of nation-states" it is thus clear that he does not intend "federation" to mean "federal state," which is the only means of guaranteeing a union of states a democratic (and thus legitimate) political power.

The same questions, differently framed, were asked by the French foreign minister Hubert Vedrine, who referred (in a joint interview with his German counterpart Joschka Fischer, *Le Monde des Débats*, 10th May, 2000) to the problem of the "nature and working of power at European level." His answer amounted, in fact, to nothing more than an image of the present also projected into the Europe of the future. His failure to think in terms of statehood was evident throughout, beginning with his affirmation of the need to preserve the current balance between the European Parliament, Commission and Council of Ministers. He prefigured "possible different degrees" of "integration of policies," from "completely integrated policies, managed by the Commission, or by a Community agency" (an alternative that is significant in itself) to policies conducted through "increased cooperation," and to the simple coordination of national policies (defined by the minister as a "modernised intergovernmental approach"). In all this, he maintained, lies "Europe's originality." When Vedrine feels obliged, like all those entering into this debate, to talk of Constitution, it is certain that he does not mean what federalists — and like them all those who, not having power interests to protect, do not mystify what they say — mean.

Even the President of Italy, Carlo Azeglio Ciampi, empties the word "constitution" of all its true meaning when he fails to associate it with the

idea of a state, and when he remarks that it is irrelevant whether Europe evolves in the direction of a federation or of a confederation, providing it has a constitution (ISPI, 3rd July, 2001).

In spite of these contradictions and ambiguities, the men of government taking an active part in the current debate on Europe's future are convinced that they are "good pro-Europeans." Jospin himself, in a speech delivered on 28th May, 2001, describes himself as a "convinced" pro-European, but even though he uses the word "federation" to describe the model of Europe that must be pursued, he remains in thrall to a broad form of Europeanism based on intergovernmental cooperation, which, in his view, "still occupies an important position and will continue to be indispensable." The "federation of nation-states" proposed by Jospin, and now the institutional formula sustained by many politicians, has thus become a mirror of the current (that is to say, intergovernmental) situation. It is not by mere chance that the word *Europe* has never been associated with the word *state*, nor that the Europe of the future is defined as "a whole," in other words, as an amorphous institutional entity.

Faced with the serious problem of enlargement and with the risks it poses to the working of the Union, the position adopted by national politicians is a purely defensive one. And even when it is suggested that a vanguard or "pioneering group" of states should embark on some initiative aimed at avoiding Europe's disintegration, all that is proposed are more forms of restricted cooperation.

Some heads of state and of government extend their view on Europe's future to its role in the world as a whole (in the promotion of peace, democracy and the affirmation of a socio-economic model that displays more solidarity than the one that currently prevails), identifying values and goals on which sights must certainly be set. But they remain tied to a framework that will not allow these values and goals to be realised. In this regard, Jospin's speech, cited earlier, is very clear: "I want a Europe that asserts its own identity, that has the best possible answers to the needs of its peoples, that *can be an example to the rest of the world*." For this very reason, he adds, the debate must not be oriented solely towards the question of the institutions and of their reform. Europe, rather than a "container" can be defined, first and foremost, as a political project, as "content." It is "a social project, a world vision, a political construction."

These are words that need to be said, because no great political battle can be won if it does not draw strength and meaning from the values on which it is founded. But no great political battle can be won without identification of the means by which its aims can be realised. And the

means with which Europe must now equip itself cannot derive from mere modifications of the current situation: what is needed is the creation of a new democratic and sovereign power at European level. In the words of François Bayrou, writing in opposition to the defenders of national sovereignty (*Liberation*, 13.6.2001), "the question of sovereignty is not the main political question. It is the only question... To exercise sovereignty, we need to build our power. And before us lies but one way, the European way. If the nations are to recover their lost sovereignty, they must build European sovereignty."

The six founding countries of Europe, historically credited with launching the process of the continent's unification and of indicating, from the outset, what its final outcome should be — European federation — must also bear the burden of responsibility for its failure if they prove unable to free themselves from the impasse in which they are currently stuck, and to overcome an ambiguous form of Europeanism through the creation of a federal state open to the membership of all states wishing to join it.

*Nicoletta Mosconi*

## **"DOLLARISATION" IN LATIN AMERICA AND THE MERCOSUR CRISIS**

The collapse of the stock exchange in the mid-eighties, which in Latin America hit Mexico, Brazil and Argentina in particular, seemed but a sad memory, yet the recent events which are convulsing the countries of the Rio de la Plata make it clear that the structural problems conducive to financial and political instability are more alive than ever.

In the two-year-period '90-'91, significant initiatives were undertaken to address the risks of the two South American giants (Argentina and Brazil) becoming insolvent: the monetary tie with the USA and greater economic integration between the two countries. In 1991 President Menem introduced fixed parity between the Argentine peso and US dollar (*ley de convertibilidad*) on the suggestion of the then Minister of the Economy Domingo Cavallo (who since the spring of 2001 has been

recalled urgently to the government with a broad mandate to re-organize the finances of Argentina); following which, on a joint Argentine-Brazilian initiative, the Common Market of the area (Mercosur) was set up, and immediately joined by Uruguay and Paraguay.

Ten years after the birth of Mercosur and the introduction of the convertibility law, the projects which at that time gave hope and stability to the region have gone into apparently irreversible crisis: Argentina and Brazil dispute each others' decisions in the financial field; there is a flight of capital from the region; new tariff barriers are being raised; there is galloping inflation; social clashes are becoming more acute and there are general strikes.

It is not easy to follow the succession of internal events and political clashes between the founding countries of Mercosur themselves. It is therefore worth dwelling on the fundamental aspects of the crisis in the integration process, which has affected the area so severely; not forgetting that, less dramatically, the integration process involving the countries of the Central American Common Market and Andean Community is also in crisis.<sup>1</sup>

The Mercosur crisis assumes dramatic proportions because it involves the two largest and most important countries in the American continent after the United States; and the latter is exerting all its influence both directly and indirectly, with political repercussions which could involve the whole world.

#### *The frame of reference.*

Democracy in Argentina and Paraguay (the list could be much longer) is a recent conquest. These countries need on the one hand to consolidate social peace and development internally,<sup>2</sup> and on the other to play their own role in the more general panorama of international politics. Without doubt the experience of the European Union, fostering peace and development in an area which for centuries knew the horrors of war, has been an example for many Latin-American countries. It is no chance that in official and non-official documents of the Andean Community and of Mercosur, reference is often made to the process of European integration as a model to follow.<sup>3</sup> And yet real-life Latin-American regional attempts to imitate this route struggle to get off the ground, and tend to fall apart.

On several occasions the political leaders of the sub-continent have declared the intention of pursuing every action necessary to support political integration at regional and continental level,<sup>4</sup> but at the same

time they have continued, on many occasions, to pursue protectionist policies with regard to neighbouring countries. The most glaring example is the economic war between Argentina and Brazil in the spring / summer of 2001, when Brazil blocked imports of grain and oil from Argentina following the introduction by the Buenos Aires government of new tariffs on imports of electronic and mechanical goods. Brazil's decision is even more dramatic in view of the serious energy crisis, which has led to electricity rationing throughout the country. In response to these decisions, the government of Paraguay proposed a 5% tariff increase on goods imported from the Mercosur area, and the Uruguayan government acted similarly by introducing a 3% increase on the same goods.<sup>5</sup>

Thus in Latin America we are seeing the effects of contradictory policies which seek to keep the nationalist spirit alive alongside the will to pursue the vision evoked by the fathers of South American independence,<sup>6</sup> of a continent marching towards unity.

The result is that the timid attempts at regional integration are frustrated by periodic financial crises, whose effect on extremely fragile economies is devastating. Despite the land's colossal resources, the Latin American continent is struggling to escape its traditional poverty, and power is confined to national oligarchies, so that there can be no birth and development of a genuine continental policy.

This is not the place to examine more closely the reasons for these contradictions: we limit ourselves here to observing them, noting however that any past attempts at integration and autonomous development in Latin America have been hindered by the USA.<sup>7</sup> Even in the recent past, the USA has not hesitated to bring down or block at the outset governments too openly favourable to a greater degree of political autonomy.<sup>8</sup> In the last few years, whether because American public opinion has changed its attitude, or because the international context has changed, US policy has become much more amenable and less unscrupulous, leaving the assertion of its power politics and leadership to finance and monetary policy.

Without doubt the experience of the dollarisation of Panama back in 1904 provided the USA with an appealing example. The small Central American country, whose sole source of income was and is the traffic in the canal which regulates the flow of shipping between the Atlantic and the Pacific Oceans, adopted the dollar as national currency on gaining its independence in 1903, at the same time granting the canal itself in concession to the USA.<sup>9</sup> This initiative, which might appear unexceptional



and of little account, considering the size and economy of this small country, has instead, over the last decade, assumed great political significance, becoming an example for many Latin American countries in the desperate search for a financial model of reference which would guarantee stability to their own countries and slow down inflation.

In the 80's, in particular in Chile and Argentina, there thus opened a great debate on how to reorganise and revitalise their by now exhausted respective finances. In these countries, one isolated internationally because of the ferocity of its dictatorial regime, the other still untrustworthy because of strong internal instability, the economists of the Chicago school succeeded in imposing their models based on an extreme faith in the market and free trade. As already noted, the Harvard-trained Domingo Cavallo proposed introducing peso-dollar fixed parity into his country when he was Minister of the Economy. It was thanks to this financial mechanism and to the free circulation of the US currency that Argentina had a period of financial stability which led to cries of an economic miracle. In reality the currency tie with the USA soon proved to be a noose around the neck of the already fragile Argentine economy. Without any structural reform or control of public spending, the Argentine economy has in the last few years experienced a slow and inexorable decline. The revaluation of the dollar led to the collapse of Argentine exports, precipitating a recession which has now lasted five years, with an ever-rising public debt and an unemployment rate verging on 20%.

Despite the failure of dollarisation in Argentina, other countries with strong financial instability, a high inflation rate and at risk of insolvency towards the International Monetary Fund — Ecuador in May 2000, Guatemala and El Salvador in December of the same year<sup>10</sup> — have chosen the same road, which, in the short term, seems to give major guarantees and proves easy to apply.

It is worth pointing out that these countries are fully aware of the fact that nations which opt for dollarisation lose their own monetary sovereignty.<sup>11</sup> This however appears a secondary problem compared to the apparent advantages which can be achieved in a short time. The heart of the matter is that in Latin America there is no political project which gives prospects not only of financial, but also of economic and social stability.

Although there have in the past been declarations by the US Treasury Secretary contrary to the dollarisation of Latin-American countries,<sup>12</sup> in substance these decisions are encouraged, as exemplified by President Clinton's words welcoming Ecuador's decision in favour of the dollar.<sup>13</sup>

This strategy finds confirmation in the FTAA project and in the report on dollarisation by the USA Congress Committee of Economic Affairs (Joint Economic Committee), edited in July 1999 by Senator Connie Mack.

Regarding the project linked to the FTAA,<sup>14</sup> Free Trade Area of the Americas, it was launched in the course of the Bush presidency and taken up again with great fanfare by the current President Bush only months after his inauguration. The main advocate of the project is the USA, which anticipates creating a large market free from tariff restrictions by 2005. It would be a free agreement among all the countries of the continent (only Cuba would not participate), without political or institutional ties. During the last meeting of the countries of the continent, which took place in Canada in April 2001, the task was entrusted generically to the Organisation of American States — a body appointed by the governments of the individual member countries, without any political or institutional mandate — of “defending democracy in the continent with the objective of reinforcing and modernising the structures of the member states.”<sup>15</sup> Clearly the country with greatest political ascendancy and the greatest economic resources will play a leading role, and it is no chance that Brazil and Venezuela have received the US project with many reservations. These two countries are considered least likely to support any project favoured by the USA; in particular, in a typically nationalist perspective, they consider that the FTAA would put them in a definitive position of not only economic but also political subordination to the North American power.<sup>16</sup>

These suspicions find foundation in the fact that while advocating the FTAA at continental summits by emphasising the prospect of creating a free market with 800 million inhabitants, the United States continues to cultivate bilateral agreements. In this way the US systematically circumvents the rules (special tariffs, import-export of particular goods, concessionary loans, support at IMF level), signed by several Latin-American countries in the context of agreements at regional level, such as for example Mercosur or the Andean Community, and thus applies the ancient rule “*divide et impera*” by exploiting the levers of finance and the economy.

As regards Senator Mack's report, it defines in detail the strategy which the USA should follow to promote the extension of dollarisation on a broader scale for its own political advantage. It should be observed that this report has never been adopted by the US Congress by vote, but nor has it ever been disowned: on the contrary, it has been made widely

available throughout Latin America. This is proved by the fact that entire passages and chapters of the report have been used by economists and ministers to support the instigation of dollarisation in their respective countries.<sup>17</sup>

The report itself merits a closer analysis, but here we confine ourselves to noting two points from it. Chapter 6 (discussing which countries are candidates for official dollarisation) expresses the desirability of the entire American continent opting, country by country, for dollarisation; it also contains the extremely significant statement that national sovereignty is losing its traditional status of inviolability as the basis for the definition of a monetary policy. This statement is today used by Latin American economists and economic ministers to maintain that the loss of their monetary sovereignty is a secondary fact compared to the advantages which can be reaped in terms of stability and financial credibility. What is not understood is that the renunciation of monetary sovereignty in favour of a currency of another country, one which moreover is the major world power, means the renunciation of not only monetary, but also political sovereignty.

In Argentina, the President of the Central Bank, Pou, was actually dismissed unceremoniously for having expressed doubts both regarding the plans formulated by the super-Minister of the Economy, which are the expression of an attenuation of relations with Mercosur in favour of a closer collaboration with the USA, and regarding the dollarisation of Argentina.<sup>18</sup>

The other point of interest in the report, for the purposes of our analysis, is found in chapter 4 (on costs and benefits of dollarisation for the United States), which states that with the increase in the number of countries using the dollar, official dollarisation will help to keep the dollar as the first international currency, a position on which the euro is encroaching. This means that dollarisation is to all effects and purposes considered as a strategy appropriate to safeguarding and reinforcing US policy not only in the American continent, but on a world scale. The dollarisation of the American continent should therefore also be seen in the light of the introduction of the euro in Europe.

We must however emphasise the fact that the USA is legitimately, from its own point of view, pursuing a policy which reinforces it and guarantees its role as world power. It is the absence of different points of view, not only on the American continent, which favours the power politics of the USA.

Certainly the absence of an international political role on the part of

the European Union aggravates the situation and offers us elements to understand better the crisis which has hit Mercosur.

### *The Mercosur Crisis.*

Certain aspects of the Mercosur crisis have already been noted which, briefly, can be summed up in the tensions in relations between Argentina and Brazil. There is no doubt that without an agreement between these two countries, any regional process in the area is destined to founder. The political *rapprochement* between Washington and Buenos Aires and the contemporaneous cooling of relations between Brasilia and Washington are another sign of the worsening of the situation. The support given by the USA to the dollarisation of Argentina and to the restrictive policy called for by super-Minister of the Economy Cavallo, have further contributed to the discord between the Argentine and Brazilian governments. We must note that in the last three years the Brazilian currency has suffered a devaluation against the dollar, by 20% in 2001 alone, inexorably damaging the exports, in dollars, of neighbouring Argentina.

The lack of political and monetary co-ordination therefore make the institutions of Mercosur extremely fragile. In case of necessity, every government in the area responds with the traditional weapons of devaluation or raising tariff barriers. Only in retrospect do governments seek a political settlement with the purpose of keeping alive agreements which in every case have favoured and could further favour not only trade, but also a certain political stability. The question which one must ask however is whether this is enough, or whether it is in fact necessary to make that qualitative leap which would guarantee genuine economic and political stability in the area: a regional political and monetary unification.

In 1997, the National Bank for the Economic Development of Brazil carried out a study which anticipated the birth of a single currency in the Mercosur area for the year 2012,<sup>19</sup> but reactions to this project were not encouraging.

The head of the Central Bank of Paraguay, for example, in May 2000 declared that the single currency of Mercosur "is not an absolute necessity."<sup>20</sup> Then in September 2000 Daniel Vaz, of the Central Bank of Uruguay, declared — in perfect agreement with the Argentine Minister of the Economy<sup>21</sup> — that "the single currency which Mercosur is seeking is already there in the dollar."<sup>22</sup> More recently the President of Paraguay

declared himself sceptical about the idea of a single currency, while the President of Uruguay declared himself generally prepared to evaluate the idea of a monetary snake on the example of past European experience,<sup>23</sup> maintaining at the same time that the policy of the Argentine Minister Cavallo must be an example for all.

Tension was then increased by the Argentine decision to establish a currency basket, constituted by the dollar and the euro, as reference for the peso (but only when the euro is worth as much as one dollar; in the meantime dollar-peso parity is re-confirmed). Until then (Cavallo's forecast is for 2003), the *Plan de competitividad* has introduced a mixed-exchange regime, which has seen the introduction with immediate effect of the dollar-euro basket in the hope of giving relief to the Argentine export economy. Thus, with the introduction of the mixed exchange, for every dollar of Argentine goods exported, industrialists receive a reimbursement from the state equal to eight-hundredths of a dollar.<sup>24</sup> In fact it was an undeclared devaluation of 8% against the dollar, despite the dialectical subterfuges of the Argentine government. Even Minister Cavallo's declarations in favour of the basket of currencies including the euro must be seen as a desperate attempt to find support for his economic policy internally and, externally, to attract European investors prepared to export new capital to Argentina. The principal advocate of the Argentine plan is once more the United States, since the link to the dollar is in any case confirmed (in the short term the basket does not exist inside Argentina). The US also views favourably a small devaluation of the peso-dollar in foreign trade which is directed in particular towards Brazil and Europe.

The situation of Argentina is, however, destined to remain uncertain in the immediate future also, particularly after the summer 2001 decision to reduce salaries and pensions by 13%<sup>25</sup> and the consequent growth in internal tensions.

In the light of these events, many of which have serious political and social consequences, it is evident that the roots of the crisis have not been tackled.

Neither Argentina nor any other country, in Latin America or anywhere in the world, can find a solution at national level. The Mercosur crisis is the consequence of the eclipse of the project of regional integration. There are not enough generic agreements to guarantee lasting economic and political stability for those countries which participate in a process of integration: the moment is coming when these political and economic difficulties must find a continental (or sub-continental)

institutional solution.

Against the obvious political influence exercised by the USA, it is more necessary than ever to make a joint Argentine-Brazilian response. The two South American powers should defend their autonomy by announcing that they are working for the creation of their own regional currency to function as a reference point for other countries of the continent. This decision would guarantee not only a monetary autonomy impossible today because the peso is tied to the dollar, but also an otherwise unimaginable political autonomy. It would also be an extraordinary signal to a continent which is slowly renouncing its monetary sovereignty, the first step towards the definitive loss of political sovereignty if and when, together with dollarisation, the project linked to the FTAA is realised. It is in any case obvious that this tendency can be reversed only with the manifestation of a firm Argentine-Brazilian resolve to pursue a project of political union.

#### *Some final considerations.*

This general context leads to some reflections which directly concern the analysis and federalist action.

First of all, the Mercosur crisis once more highlights how the initiation and development of integration projects require regional leadership. Just as in Europe the motor of the integration process was guaranteed by the joint and co-ordinated action of France and Germany, in the region of the Rio de la Plata such a process must be based on the resumption of dialogue between Argentina and Brazil. Where tensions arise in relations between the leading countries, the risk is that the situation comes to a head, as is happening now, with consequences which endanger not only the integration project, but also the social and economic development of the individual countries of the region. On the other hand, when these regional crises arise, it is inevitable for a superpower to try to "orient" the crises itself, in order to assert its leadership.

Faced with this situation, the responsibilities of the European Union are clear. If on the one hand the USA, the only genuine world power, is pursuing a policy which aims to divide countries trying to exercise their own policy at regional level, the fact remains that today, at international level, there is no valid alternative model of integration. If the project of a federal government of the Union were to be realised in Europe, it would also give effective visibility to the possibility of giving concrete political reality to regional projects born initially to foster economic development.

This is the example which is lacking today for those countries which seek to realise regional integration projects.

A final consideration concerns the possible consequences of the birth of the euro as a second strong currency at world level. The dollarisation of the American continent in the future may presage the possibility that some developing countries might make the choice to renounce their own monetary sovereignty in favour of the euro. The question to ask, however, is if this model is the right one to promote the development of countries taking this option. Is it right that a country which is not an integral part of a political union, that of the USA or a future United States of Europe, should choose to renounce its own sovereignty? In reality the only truly evolutionary choice would be the creation of autonomous regional federations, endowed with their own currency, able to promote development and internal peace and to oppose every form of hegemony in favour of a more balanced world order.

Stefano Spoltore

## NOTES

<sup>1</sup> The Central American Common Market (1960) includes: Costa Rica, Guatemala, El Salvador, Nicaragua and Honduras. The member countries of the Andean Community (created in 1969) are: Bolivia, Colombia, Ecuador, Peru and Venezuela.

<sup>2</sup> In Chile and Argentina, among much controversy, politicians and soldiers are being tried for serious crimes committed during the military dictatorships. In the month of May 2000, in testimony to the fragility of democracy in the region, there was an attempted *coup d'état* in Paraguay which failed miserably, thanks to the unanimous condemnation of the other Mercosur countries. See *DiarioNoticias.com.py*, Asunción, 29 June 2000.

<sup>3</sup> See for example the agreement of Ouro Preto and the relative protocols (December 1994).

<sup>4</sup> See, most recently, *Gestión.com.pe*, Lima, 14 September 2000.

<sup>5</sup> *DiarioNoticias.com.py*, Asunción, 28 June 2001; *Clarín.com*, Buenos Aires, 10 July 2001 and *LaHora.com.ec*, Quito, 24 July 2001.

<sup>6</sup> See Stefano Spoltore, «Il progetto politico di Simón Bolívar fra centralismo e federalismo», in *Il Politico*, Pavia, 1983, n. 3.

<sup>7</sup> A useful reference work for anyone wishing to study these matters more closely is: R. Campa, *Il potere politico in America latina*, Milan, Comunità, 1968.

<sup>8</sup> The only exception, in almost two centuries of history since the Declaration of the Monroe Doctrine of 1823 (the “manifesto” of US foreign policy in Latin America) is Cuba, even if the question today is how much longer this “anomaly” can last.

<sup>9</sup> It is worth noting that independence was achieved thanks to a revolt, supported by the

USA, against Colombia, of which Panama was an integral part at the time. With the independence of Panama, the USA obtained the use of the canal and sovereignty over an 8 km-wide strip of land on either bank, up until 1999. In a 1995 referendum, 75% of the population voted in favour of keeping the US bases in the country.

<sup>10</sup> *LaHora.com.ec*, Quito, 18 September 2000 and *Il Sole 24 ORE*, Milan, 4 January 2001.

<sup>11</sup> *LaHora.com.ec*, Quito, 25 and 28 May 2001. These articles report the proceedings of a seminar at Bogotá under the auspices of the Associazione Nazionale degli Istituti Finanziari (ANFI) on the topic “Single currency in Latin America or monetary sovereignty”.

<sup>12</sup> *Clarín.com*, Buenos Aires, 26 July 2000.

<sup>13</sup> *LaHora.com.ec*, Quito, 11 September 2000. This declaration was made only a few weeks before Clinton’s farewell from the White House.

<sup>14</sup> The Spanish abbreviation is ALCA.

<sup>15</sup> *LaHora.com.ec*, Quito, 23 April 2001.

<sup>16</sup> *Il Sole 24 ORE*, Milan, 21 April 2001 and *Clarín.com*, Buenos Aires, 22 May 2001.

<sup>17</sup> *LaHora.com.ec*, Quito, 11 September 2000. On the Internet site of the principal Ecuadorean daily paper an entire section, for over a month, was dedicated to the topic *Dolarización*.

<sup>18</sup> *Il Sole 24 ORE*, Milan, 5 May 2001.

<sup>19</sup> *L’Espresso*, 29 May 1997.

<sup>20</sup> *DiarioNoticias.com.py*, 19 May 2001.

<sup>21</sup> *LaHora.com.ec*, Quito, 26 June 2001.

<sup>22</sup> *Il Sole 24 ORE*, Milan, 13 September 2000.

<sup>23</sup> *America del Sur El Pais*, Montevideo, June 2001, n. 2. In the same edition the 1999 Nobel Laureate for economics, the Canadian Robert Mundel, declared his scepticism, since in his opinion, the regional single currency could only be the dollar. He also stated that the next country to be a candidate for dollarisation was Paraguay, and it is curious to observe that only a few days later, a consultant from the Central Bank of Paraguay declared it normal and to be taken for granted, faced with the regional crisis, that the Paraguayan people should seek refuge in dollars. See *DiarioNoticias.com.py*, Asunción, 17 July 2001.

<sup>24</sup> *Il Sole 24 ORE*, Milan, 13, 19 and 23 June 2001.

<sup>25</sup> *Avvenire*, Milan, 31 July 2001.

## Discussions

### EUROPE NEEDS A NEW "SCHUMAN INITIATIVE"

Leaving aside here my own criticisms of the strategy and very concept of "official" federalism, I wish to dwell briefly upon the question of the constituent objective. How can this objective be put into action?

Sergio Pistone recently got to the crux of the matter when he highlighted the remarkable topicality of the example of Robert Schuman (see S. Pistone, "The Federal Prospect of Federalism in the Schuman Declaration," in *The Federalist*, XLII (2000), page 113 onwards). In order to launch his "plan," which was later to become the European Coal and Steel Community, Schuman appealed directly to the governments of the part of the continent that was free, saying, substantially, "if you agree you can join." Great Britain, averse to supranational solutions, refused, and thus the first European Community (and later Euratom and the EEC) started out with six founding members.

To appreciate the novelty of this gesture, it is necessary to recall that, until several years earlier, federalists, including Spinelli, had hoped (a sentiment that influenced their actions) that an initial Union — if not federal, then at least pre-federal in nature — might be negotiated, and take shape, within and through the Council of Europe (a body rightly ignored by Schuman). Also founded on this initial federalist illusion were, to mention but some, the *Conseil de Vigilance* (a congress convened in Strasbourg with the precise aim of bringing pressure to bear on what was at the time known as the "Consultative Assembly") and the Calamandrei report delivered before the Rome meeting of the Union of European Federalists (UEF) in November 1948.

However, with that particular illusion out of the way, even federalists lost all interest in the Council of Europe (barely referred to since, even incidentally, in federalist issues), a body that continued to lead a life of its own — a life that has perhaps been useful and certainly positive in less crucial settings and sectors, where it has not implied any drastic restric-

tion of sovereignty. But it has been totally excluded from the battle for a federal Union — a battle with which, since that time, it has not been concerned, since the Council of Europe is, and must continue to be, *a different thing altogether*.

So, if the constituent objective, which now forms the very heart of the strategy of the *Movimento federalista europeo* (MFE), is to be given a meaning and a chance to succeed, then Pistone's valid suggestion must, in the way indicated above, be acted upon.

The EU itself has become today's "Council of Europe" (in other words a subject to be ignored and set aside): the EU as it is at the moment, and certainly the EU as it will be after enlargement. It must therefore be allowed to drift, following its own confederal and purely economic path, which for the moment there can be no modifying. I mean, in other words, that what is needed is a "Schuman Plan" entirely extraneous to the EU, because the EU does not have, and for the time being cannot have, any federal vocation.

However — and it is here that my perplexities begin — it remains to be asked, first of all (and this is the fundamental question), who the "new" Schuman might be and, second, which might be the states willing to form this first "hard core," open to the subsequent membership of others, but nevertheless committed to forging ahead immediately and on its own.

Perhaps we already have the answer to the first of these questions: the present prime minister of Belgium, provided adequate pressure is brought to bear on him by federalists — although given the current forces, any pressure exerted looks unlikely to be adequate — could become the new Schuman (even though Belgium cannot, of course, be equated with France).

The second question is far more difficult to answer, because Germany and France (in whose absence the proposal loses all meaning) do not seem truly determined to move in that direction.

But, however impracticable and unlikely it may appear, I feel that it is the only that direction current federalist strategy can follow.

I might add that a radicalisation of this kind of strategy — this, as I said earlier, must exclude the EU in the same way as Schuman and federalists themselves ignored, and continue to ignore, the Council of Europe, once the first illusions had been swept away — seems to me to be crucial in order to fight the rampant euroscepticism (and worse still, the growing indifference) of public opinion, politicians and the press towards the EU (which are sometimes understandable, given that the latter has totally forgotten the ideals that inspired its founding fathers,

remaining purely an economic enterprise, and a very flawed one at that).

The first thing to do, in order to refute, in a credible manner, this euroscepticism is, as I have said, to criticise roundly and, to constituent ends, to turn our backs on the EU entirely — which, like the Council of Europe — “is a different thing,” qualitatively incomparable with our objective and, let me repeat, for the time being beyond reform — and *to start all over again*.

In other words, a constituent strategy, if it is to have the slightest credibility, must begin by accentuating what the MFE has, on many occasions in recent times, quite rightly asserted: that the era of “small steps” is over: either Europe makes the ultimate qualitative leap, or it faces decline.

But to accentuate truly this watershed, and give full meaning to this idea of a qualitative leap — an advance in relation to the recent past and the strategy so far followed — we must recover the spirit of the “Congress of the European People” as expressed by Spinelli in his second *Manifesto*, edited by Guanda in 1957 and, in my view, far more significant than the first: a document that, until now forgotten by federalists, today needs to be re-evaluated, as do the analogous radical positions followed and affirmed at that time, also in *The Federalist*, by Mario Albertini.

But is there really a) the necessary will, b) the necessary strength, and c) a structure of organised federalism outside Italy that is worthy of this name, and as resolute as that which exists in Italy? Is there truly enough of all this to give rise to an action that has all the necessary determination, tenacity and perseverance?

This, of all the questions, is the truly decisive one: *hic Rhodus...*

It is a question that I am not able to answer; or, rather, to answer it I would have to set out in detail all my perplexities, those that I alluded to at the beginning and have expressed on a number of occasions in other settings, but which it is not my intention, here, to examine.

*Andrea Chiti-Batelli*

## Federalism in the History of Thought

### JAMES MADISON

James Madison (1745-1836) played a central part in all the main events which led to the creation of the American Federation. In 1776, he was a member of the Virginia Convention charged with drawing up the Constitution. As a delegate to the Continental Congress (1780), he took part in the Annapolis Convention (1786) which paved the way for calling the Philadelphia Convention the following year, where he played a decisive role in the debate on drawing up the Federal Constitution.

In 1787 he accepted Alexander Hamilton’s invitation to collaborate, together with John Jay, in drafting a series of essays (*The Federalist*) in defence of the ratification of the Federal Constitution in the thirteen states. Essay number 10 of *The Federalist*, presented in this edition, represents one of the most effective defences of federation as a means to preserve democracy and defeat sectarianism in a republic.

In the course of the first federal legislature, Madison contributed to the defeat of the anti-federalists, who wanted to amend the new Constitution in a confederal direction. It was thanks to Madison’s work that the first ten amendments, known as the *Bill of Rights*, remained firmly against a return to the Confederation.

However, in the following years, when the problem of consolidating the federal government arose, Madison, together with Thomas Jefferson, strongly opposed the policies of the Treasury Secretary Hamilton and of President George Washington. In 1790 he opposed the creation of the Federal Bank, and later went so far as to justify the right of individual states, and in the first place of Virginia, to refuse, unilaterally and independently of the advice of the Supreme Court, to support laws approved by Congress. Here his report to the Congress of Virginia (1800) remains significant, often quoted after this by those advocating the right of secession from the federation. President of the United States for two consecutive mandates, in 1809 and in 1813, he had to reconcile his

aversion to the consolidation of federal powers with the requirements of domestic policy (he did not veto the renewal of the statute of the Central Bank) and foreign policy (he approved the establishment of a permanent army).

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#### THE FEDERALIST N. 10 (Madison)

Among the numerous advantages promised by a well constructed Union, none deserves to be more accurately developed than its tendency to break and control the violence of faction. The friend of popular governments, never finds himself so much alarmed for their character and fate, as when he contemplates their propensity to this dangerous vice. He will not fail, therefore, to set a due value on any plan which, without violating the principles to which he is attached, provides a proper cure for it. The instability, injustice, and confusion, introduced into the public councils, have, in truth, been the mortal diseases under which popular governments have everywhere perished; as they continue to be the favourite and fruitful topics from which the adversaries to liberty derive their most specious declamations. The valuable improvements made by the American constitutions on the popular models, both ancient and modern, cannot certainly be too much admired; but it would be an unwarrantable partiality, to contend that they have as effectually obviated the danger on this side, as was wished and expected. Complaints are everywhere heard from our most considerate and virtuous citizens, equally the friends of public and private faith, and of public and personal liberty, that our governments are too unstable; that the public good is disregarded in the conflicts of rival parties; and that measures are too often decided, not according to the rules of justice, and the rights of the minor party, but by the superior force of an interested and overbearing majority. However anxiously we may wish that these complaints had no foundation, the evidence of known facts will not permit us to deny that they are in some degree true. It will be found, indeed, on a candid review of our situation, that some of the distresses under which we labour, have been erroneously charged on the operation of our governments; but it will be found, at the same time, that other causes will not alone account for many of our heaviest misfortunes; and, particularly, for that prevailing

and increasing distrust of public engagements, and alarm for private rights, which are echoed from one end of the continent to the other. These must be chiefly, if not wholly, effects of the unsteadiness and injustice, with which a factious spirit has tainted our public administrations.

By a faction, I understand a number of citizens, whether amounting to a majority or minority of the whole, who are united and actuated by some common impulse of passion, or of interest, adverse to the rights of other citizens, or to the permanent and aggregate interests of the community.

There are two methods of curing the mischiefs of faction. The one, by removing its causes; the other, by controlling its effects.

There are again two methods of removing the causes of faction: The one, by destroying the liberty which is essential to its existence; the other, by giving to every citizen the same opinions, the same passions, and the same interests.

It could never be more truly said, that of the first remedy, that it was worse than the disease. Liberty is to faction what air is to fire, an aliment, without which it instantly expires. But it could not be a less folly to abolish liberty, which is essential to political life because it nourishes faction, than it would be to wish the annihilation of air, which is essential to animal life, because it imparts to fire its destructive agency.

The second expedient is as impracticable, as the first would be unwise. As long as the reason of man continues fallible, and he is at liberty to exercise it, different opinions will be formed. As long as the connection subsists between his reason and his self-love, his opinions and his passions will have a reciprocal influence on each other; and the former will be objects to which the latter will attach themselves. The diversity in the faculties of men, from which the rights of property originate, is not less an insuperable obstacle to a uniformity of interests. The protection of those faculties is the first object of government. From the protection of different and unequal faculties of acquiring property, the possession of different degrees and kinds of property immediately results; and from the influence of these on the sentiments and views of the respective proprietors, ensues a division of the society into different interests and parties.

The latent causes of faction are thus sown in the nature of man; and we see them everywhere brought into different degrees of activity, according to the different circumstances of civil society. A zeal for different opinions concerning religion, concerning government, and many other points, as well of speculation as of practice; an attachment to

different leaders, ambitiously contending for pre-eminence and power; or to persons of other descriptions, whose fortunes have been interesting to the human passions, have, in turn, divided mankind into parties, inflamed them with mutual animosity, and rendered them much more disposed to vex and oppress each other, than to co-operate for their common good. So strong is this propensity of mankind, to fall into mutual animosities, that where no substantial occasion presents itself, the most frivolous and fanciful distinctions have been sufficient to kindle their unfriendly passions, and excite their most violent conflicts. But the most common and durable source of factions has been the various and unequal distribution of property. Those who hold, and those who are without property, have ever formed distinct interests in society. Those who are creditors, and those who are debtors, fall under a like discrimination. A landed interest, a manufacturing interest, a mercantile interest, a moneyed interest, with many lesser interests, grow up of necessity in civilized nations, and divide them into different classes, actuated by different sentiments and views. The regulation of these various and interfering interests forms the principal task of modern legislation, and involves the spirit of party and faction in the necessary and ordinary operations of government.

No man is allowed to be a judge in his own cause; because his interest will certainly bias his judgment, and, not improbably, corrupt his integrity. With equal, nay, with greater reason, a body of men are unfit to be both judges and parties at the same time; yet what are many of the most important acts of legislation, but so many judicial determinations, not indeed concerning the rights of single persons, but concerning the rights of large bodies of citizens? And what are the different classes of legislators, but advocates and parties to the causes which they determine? Is a law proposed concerning private debts? It is a question to which the creditors are parties on one side, and the debtors on the other. Justice ought to hold the balance between them. Yet the parties are, and must be, themselves the judges: and the most numerous party, or, in other words, the most powerful faction, must be expected to prevail. Shall domestic manufactures be encouraged, and in what degree, by restrictions on foreign manufactures? Are questions which would be differently decided by the landed and the manufacturing classes; and probably by neither with a sole regard to justice and the public good. The apportionment of taxes, on the various descriptions of property, is an act which seems to require the most exact impartiality; yet there is, perhaps, no legislative act, in which greater opportunity and temptation are given to a predominant

party, to trample on the rules of justice. Every shilling, with which they overburden the inferior number, is a shilling saved to their own pockets.

It is in vain to say, that enlightened statesmen will be able to adjust these clashing interests, and render them all subservient to the public good. Enlightened statesmen will not always be at the helm: nor, in many cases, can such an adjustment be made at all, without taking into view indirect and remote considerations, which will rarely prevail over the immediate interest which one party may find in disregarding the rights of another, or the good of the whole.

The inference to which we are brought is, that the *causes* of faction cannot be removed; and that relief is only to be sought in the means of controlling its *effects*.

If a faction consists of less than a majority, relief is supplied by the republican principle, which enables the majority to defeat its sinister views, by regular vote. It may clog the administration, it may convulse the society; but it will be unable to execute and mask its violence under the forms of the constitution. When a majority is included in a faction, the form of popular government, on the other hand, enables it to sacrifice to its ruling passion or interest, both the public good and the rights of other citizens. To secure the public good, and private rights, against the danger of such a faction, and at the same time to preserve the spirit and the form of popular government, is then the great object to which our inquiries are directed. Let me add, that it is the great desideratum, by which alone this form of government can be rescued from the opprobrium under which it has so long laboured, and be recommended to the esteem and adoption of mankind.

By what means is this object attainable? Evidently by one of two only. Either the existence of the same passion or interest in a majority, at the same time must be prevented; or the majority, having such coexistent passion or interest, must be rendered, by their number and local situation, unable to concert and carry into effect schemes of oppression. If the impulse and the opportunity be suffered to coincide, we well know, that neither moral nor religious motives can be relied on as an adequate control. They are not found to be such on the injustice and violence of individuals, and lose their efficacy in proportion to the number combined together; that is, in proportion as their efficacy becomes needful.

From this view of the subject, it may be concluded, that a pure democracy, by which I mean a society consisting of a small number of citizens, who assemble and administer the government in person, can admit of no cure from the mischiefs of faction. A common passion or



interest will, in almost every case, be felt by a majority of the whole; a communication and concert, results from the form of government itself; and there is nothing to check the inducements to sacrifice the weaker party, or an obnoxious individual. Hence it is, that such democracies have ever been spectacles of turbulence and contention; have ever been found incompatible with personal security, or the rights of property; and have, in general, been as short in their lives, as they have been violent in their deaths. Theoretic politicians, who have patronized this species of government, have erroneously supposed, that by reducing mankind to a perfect equality in their political rights, they would, at the same time, be perfectly equalized and assimilated in their possessions, their opinions, and their passions.

A republic, by which I mean a government in which the scheme of representation takes place, opens a different prospect, and promises the cure for which we are seeking. Let us examine the points in which it varies from pure democracy, and we shall comprehend both the nature of the cure and the efficacy which it must derive from the union.

The two great points of difference, between a democracy and a republic, are, first, the delegation of the government, in the latter, to a small number of citizens elected by the rest; secondly, the greater number of citizens, and greater sphere of country, over which the latter may be extended.

The effect of the first difference is, on the one hand, to refine and enlarge the public views, by passing them through the medium of a chosen body of citizens, whose wisdom may best discern the true interest of their country, and whose patriotism and love of justice, will be least likely to sacrifice it to temporary or partial considerations. Under such a regulation, it may well happen, that the public voice, pronounced by the representatives of the people, will be more consonant to the public good, than if pronounced by the people themselves, convened for the purpose. On the other hand, the effect may be inverted. Men of factious tempers, of local prejudices, or of sinister designs, may by intrigue, by corruption, or by other means, first obtain the suffrages, and then betray the interests of the people. The question resulting is, whether small or extensive republics are most favourable to the election of proper guardians of the public weal; and it is clearly decided in favour of the latter by two obvious considerations.

In the first place, it is to be remarked, that however small the republic may be, the representatives must be raised to a certain number, in order to guard against the cabals of a few; and that however large it may

be, they must be limited to a certain number, in order to guard against the confusion of a multitude. Hence, the number of representatives in the two cases not being in proportion to that of the constituents, and being proportionally greatest in the small republic, it follows that if the proportion of fit characters be not less in the large than in the small republic, the former will present a greater option, and consequently a greater probability of a fit choice.

In the next place, as each representative will be chosen by a greater number of citizens in the large than in the small republic, it will be more difficult for unworthy candidates to practice with success the vicious arts, by which elections are too often carried; and the suffrages of the people being more free, will be more likely to centre in men who possess the most attractive merit, and the most diffusive and established characters.

It must be confessed, that in this, as in most other cases, there is a mean, on both sides of which inconveniences will be found to lie. By enlarging too much the number of electors, you render the representative too little acquainted with all their local circumstances and lesser interests; as by reducing it too much, you render him unduly attached to these, and too little fit to comprehend and pursue great and national objects. The federal constitution forms a happy combination in this respect; the great and aggregate interests being referred to the national, the local, and particular to the state legislatures.

The other point of difference is, the greater number of citizens, and extent of territory, which may be brought within the compass of republican, than of democratic government; and it is this circumstance principally which renders factious combinations less to be dreaded in the former, than in the latter. The smaller the society, the fewer probably will be the distinct parties and interests composing it; the fewer the distinct parties and interests, the more frequently will a majority be found of the same party; and the smaller the number of individuals composing a majority, and the smaller the compass within which they are placed, the more easily will they concert and execute their plans of oppression. Extend the sphere, and you take in a greater variety of parties and interests; you make it less probable that a majority of the whole will have a common motive to invade the rights of other citizens; or if such a common motive exists, it will be more difficult for all who feel it to discover their own strength, and to act in unison with each other. Besides other impediments, it may be remarked, that where there is a consciousness of unjust or dishonourable purposes, communication is always checked by distrust, in propor-

tion to the number whose concurrence is necessary.

Hence, it clearly appears, that the same advantage, which a republic has over a democracy, in controlling the effects of faction, is enjoyed by a large over a small republic — is enjoyed by the union over the states composing it. Does this advantage consist in the substitution of representatives, whose enlightened views and virtuous sentiments render them superior to local prejudices, and to schemes of injustice? It will not be denied, that the representation of the union will be most likely to possess these requisite endowments. Does it consist in the greater security afforded by a greater variety of parties, against the event of any one party being able to outnumber and oppress the rest? In an equal degree does the increased variety of parties, comprised within the union, increase this security. Does it, in fine, consist in the greater obstacles opposed to the concert and accomplishment of the secret wishes of an unjust and interested majority? Here, again, the extent of the union gives it the most palpable advantage.

The influence of factious leaders may kindle a flame within their particular states, but will be unable to spread a general conflagration through the other states; a religious sect may degenerate into a political faction in a part of the confederacy; but the variety of sects dispersed over the entire face of it, must secure the national councils against any danger from that source: a rage for paper money, for an abolition of debts, for an equal division of property, or for any other improper or wicked project, will be less apt to pervade the whole body of the union, than a particular member of it; in the same proportion as such a malady is more likely to taint a particular county or district, than an entire state.

In the extent and proper structure of the union, therefore, we behold a republican remedy for the diseases most incident to republican government. And according to the degree of pleasure and pride we feel in being republicans, ought to be our zeal in cherishing the spirit, and supporting the character of federalists.

*(edited by Franco Spoltore)*

## ABOUT THE AUTHORS

ANDREA CHITI-BATELLI, Movimento Federalista Europeo, Rome.

NICOLETTA MOSCONI, Member of the Central Committee of the Movimento Federalista Europeo.

ALFONSO SABATINO, Member of the National Council of the Movimento Federalista Europeo.

FRANCO SPOLTRE, Member of the National Council of the Movimento Federalista Europeo.

STEFANO SPOLTRE, Member of the Central Committee of the Movimento Federalista Europeo.

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