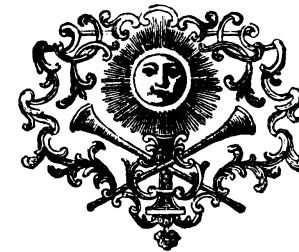


# THE FEDERALIST

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

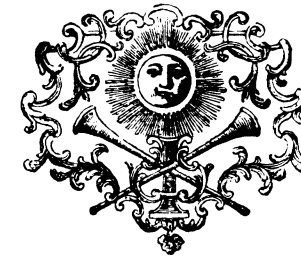


# THE FEDERALIST

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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## Iraq and the Responsibilities of Europe towards the Middle East

Only thirteen years after Francis Fukuyama announced the end of history, the war in Iraq, in all its brutality and horror, has come to show mankind just how little progress it has made along the road towards its own emancipation. What we are currently witnessing is one of the most cruel and senseless episodes to have stained world history since the era of the Nazi atrocities.

Bush and his advisers, in this arrogant and insane endeavour, carried out with incredible clumsiness, have totally failed to achieve not only the declared objectives of this conflict (the defeat of terrorism, the “exporting of democracy,” the uncovering and neutralisation of weapons of mass destruction), but also its real objective, that is the affirmation beyond all possible doubt of the global hegemony of the United States and of America’s capacity to guarantee a world order. In truth, the global hegemony of the United States emerges from the Iraqi endeavour profoundly weakened — certainly not strengthened. All that remained of America’s moral standing in the world, which was important as it ensured that the support of its allies was founded on a voluntary basis, has been destroyed in the space of a few short months. The Middle East is in the grip of violence and public opinion the world over is outraged and disoriented.

We must not tire of repeating that this condemnation is directed at the US government (and, albeit to a lesser degree given the poisonous propaganda to which it has been subjected, at that section of public opinion that supports it) and certainly not at the American people as a whole. The strongest and most courageous criticisms of the conduct of the US government have originated from within the United States itself, and certainly not from Europe, whose politicians and media have always been driven by an anxiety to pander to this powerful ally on the other side of the Atlantic, and not to irritate it unduly.

The war in Iraq has brought the countries of Europe face to face with a dilemma that has laid bare their total incapacity to act. The conflict left

them having to choose between collaborating unconditionally with the United States, thereby challenging the overwhelming majority of public opinion at home and relinquishing all possibility of playing any autonomous role in the management of the crisis, and “opting out,” thereby avoiding responsibility and the need to put forward alternative initiatives. It amounted to a choice between two different manifestations of impotence. Some of Europe’s governments chose the first, others the second.

\* \* \*

Both the Americans and the Europeans, at a certain point, found it convenient to turn to the United Nations as a source of legitimacy, the former in an attempt to mask and to confer acceptability on their unilateralism and the latter in an attempt to conceal their impotence. Both were hopeful that a resolution by the UN Security Council would be sufficient to convince world public opinion that the international community had assumed responsibility for the occupation of Iraq. But this was a diplomatic fudge, and one entirely without coherence. The United Nations is an international organisation that wields no power of its own and has purely symbolic legitimacy. All it does is reflect the balance of power of the various states that belong to it. Obviously it has no armed forces, which means that when it becomes involved in peacekeeping operations, it does so using the armed forces voluntarily put at its disposal by its member states. As long as the missions entrusted to the organisation have limited scope, the role of the Secretary General and his staff can be one of technical coordination. But if the undertaking increases, if the nature of the mission is such as to endanger the lives of the military personnel deployed and to necessitate the use of huge financial and moral resources, then it is clear that the governments involved will not be prepared to renounce their commanding role. This is clearly what happened over Iraq. Indeed, the idea of replacing, in Iraq, an army answerable to the President of the United States and, through him, to the American people with an army supplied by the member states currently contributing to the occupying forces, but answerable to the Secretary General of the United Nations, would have been simply ridiculous.

Similarly, the so-called “restoration of sovereignty” to a provisional Iraqi government, destined to be replaced in the future by an elected government, was a pure fantasy. Sovereignty is the capacity to reach decisions and to implement them, which means that whoever has sovereignty must be equipped with the strength needed to restore and maintain

order within a territory. It is perfectly obvious that, for this to be the case in Iraq, the Iraqi government must have its own army, and all foreign military personnel must leave the country. And this is precisely what will not come about as long as Iraq is an occupied country, devoid of sovereignty.

\* \* \*

What remains to be seen is whether there exists, in reality, an alternative power constellation that, on the one hand, the Iraqi people might be able to see as not compromised by the conflict and thus as motivated solely by the desire to restore peace and equilibrium to the region and, on the other, that has the capacity and the strength to take over, from the current coalition, the task of guiding Iraq out of the crisis, employing the necessary quantity of men and of means. If this constellation existed, it could act under the flag of the United Nations, if this were possible, or under other flags: the flag does not alter the crux of the matter.

But this constellation does not exist, which means, quite simply, that in the short term there is no real alternative to the current situation. It is true that all conflicts go through acute periods and lulls, the latter caused by the temporary exhaustion of the forces in the field. It is thus likely that the present Iraqi crisis is destined to be punctuated by quieter periods. But it certainly will not be resolved given that there is no feasible equilibrium on the horizon to replace the failed American leadership. And Iraq, leaving aside these probable cyclical lulls, will go on sinking deeper and deeper into the anarchy that, in turn, can only fuel terrorism, Islamic fundamentalism and the instability of the entire region. This outlook would be rendered all the more tragic in the event of a division of the country, explicit or masked by a false federal type solution, that would see the Shiite south becoming an object of desire for Iran, create a Kurdish state with enormous potential to destabilise the region, and leave Baghdad in the grip of violence.

\* \* \*

The fact that there exists no prospect of a solution to the Iraqi crisis in the short term does not mean that the European states should passively accept the choice between submission to American imperialism and support of guerrilla forces in Iraq. Instead, what every responsible European politician should do is verify whether there exists a possible

long-term solution and, upon finding that there does, take the first steps necessary in order to achieve it, deciding, in accordance with this course, a common European policy to deal with the current emergency.

From this perspective, it is important to underline several, patently obvious facts. The first is that Iraq is a country with an economy on its knees, with its infrastructures in pieces, with no governing class, and with a severely damaged military and administrative class. It will not be able to get back on its feet by itself. Outside help will be needed in order to get the process of its moral and material reconstruction under way. The second is that this help cannot come — unless in the form of compensation for damage inflicted — from the American government, regardless of who is elected as the next President of the United States, nor from the British government. These countries are responsible for the destruction of Iraq and the Iraqi people will never be able to accept the presence of American and British troops on their soil. The United States and Britain thus currently find themselves stuck in a catch-22 situation, faced with a choice between a disastrous continuation of the occupation, with all the increasingly severe effects that this is having, and ignominious withdrawal, which would amount to turning their backs on the responsibilities that they assumed when they invaded the country and abandoning Iraq to the scourge of civil war. Collaboration in re-starting Iraq's development must come, first of all, from the region's other Arab and Muslim countries, in the framework of a large regional development plan. The third, however, is that this plan must be promoted and funded by an external power that did not compromise its position through the war and that, thanks to its geographical location, the extent of its economic interdependence with the Middle East, and its traditions of friendship with the area, is interested in the development of Iraq, in the establishment of an increasingly close integration and intensification of trade and communications with the region, and whose role, for these reasons, the Iraqis would accept. Only Europe answers this description.

But Europe does not exist. Clearly, neither the present EU, nor its individual member states, have adequate political and economic resources to launch a Marshall Plan for the Middle East, which is the essential condition for Iraq's re-birth and for the development of the economy of the entire region. The truth is that the creation of any workable European plan for the Middle East depends on the existence of the will to create a European power, in other words the will to found, in whatever framework this proves possible, a European federal state possessed of great political, moral, economic and military resources, as

well as the capacity to mobilise these resources and to use them in the interests of collaboration among peoples and the development of disadvantaged regions of the world. Unless this can be achieved, Europe will be left to witness, powerless, the progressive crumbling of the international equilibrium and the start of an out-and-out crisis of civilisation that will threaten to destroy the entire planet.

*The Federalist*

# Economic Policy in the European Constitution

ALBERTO MAJOCCHI

## 1. *A Global Assessment of the Draft Constitution.*

In order to arrive at a correct assessment of the draft Treaty establishing a Constitution for Europe, agreed by the European Council on June 18th, 2004, one must first establish the criterion on which such an assessment can be based. The criterion adopted here is that of the adequacy of the reforms contained in the text of the Treaty to solve the fundamental problems that, in today's world political situation, face the Union in the wake of its enlargement (adaptation of its institutions, economic governance). On the basis of this criterion, it is possible to appreciate the reasonableness of certain opinions — albeit opposing ones — that have been formulated in relation to the draft Treaty, but also their partial nature.

Generally speaking, the draft Treaty produced by the European Convention was greeted with enthusiasm, even though Tommaso Padoa Schioppa, in an editorial published in the *Corriere della Sera* on June 19th, 2003, was somewhat critical. Indeed, the title of his piece (Giscard's Camel), was an explicit reference to a saying whereby a camel is "a horse designed by a committee." Padoa Schioppa's main criticism of the draft Treaty was that it failed to extend the majority vote as the general rule. Although the position he expressed can, to a great extent, be shared, it must also be modified in order to take into account the fact that the new Treaty should have attempted to address two different problems: on the one hand, it should have sought to rectify the omissions of Nice, that is, to institute the reforms needed in order to ensure the efficient working of a 25-member Union, each of whose members have equal competences and responsibilities, and on the other, it should have endeavoured to create a Union capable of rising to the challenges that Europe now faces, and which concern, in particular, the question of economic governance in

a setting of protracted global economic crisis, and, following the war in Iraq, the management of a common foreign and security policy.

Extremely succinctly, the constitutional Treaty can be assessed as follows: although the European Convention tackled in a mainly positive manner the problems of managing the enlarged Union, it proved incapable of instituting the institutional reforms needed in order to rise successfully to the challenges that now face the Union. As regards the first of these two points, progress was undoubtedly made in the draft Treaty; but here our intention is to analyse in greater depth the second of these aspects, an analysis that leads us to affirm, quite simply, that the institutional innovations contained in the draft Treaty are not enough to give rise to a Union that is able to conduct independently either its own economic policy (in particular fiscal policy), or a common foreign and security policy that is more than just the lowest common denominator of 25 national foreign policies.

In reference to the management of economic policy, the constitutional Treaty in Article III-179(1) re-affirms the principle — already embraced by the Maastricht Treaty — that "member states shall regard their economic policies as a matter of common concern and shall coordinate them within the Council," and in Part III reiterates the principle that decisions relating to fiscal policy must be taken unanimously. In the field of foreign and security policy, provision is made for the creation of a Union Minister for Foreign Affairs who will be required to manage the common policy developed by member states through the convergence of their actions: however, no provision is made for guaranteeing autonomous foreign policy decisions in situations in which this convergence is lacking, or, as seen in the case of the war in Iraq, in which there emerge two opposing factions. In such situations, the Minister for Foreign Affairs must simply note these divergences and the fact that the Union lacks the power to implement, autonomously, a policy of its own.

There thus exists a basic parallelism: in these two areas, both crucial to the future of the Union, a confederal approach continues to prevail and all that is envisaged is a "common" policy managed through a coordination method and through unanimous decisions. In short, there does not as yet exist a proper European policy, but rather a summation — at best coordinated — of different national policies. It is certainly possible that there will be, in time, an evolution towards a truly European foreign and economic policy, but there can also be no doubt that, in this sphere, what the European Convention produced looks far more like a camel than a horse. In fact, it should be underlined that the weaknesses of the con-

stitutional Treaty are actually even greater than Padoa-Schioppa suggests, given that a generalised extension of the majority vote, while necessary, is still not enough to guarantee a European economic and foreign policy. In particular, the management of economic policy, and of foreign and security policy, is not assigned to a supranational body — the Commission, the embryo of the future European government —, but is left in the hands of the Council. Consequently, even had the draft Constitution envisaged the extension of the majority voting rule to these areas, this move, while certainly an important innovation, would not have constituted a decisive step forwards, because for as long as the Council — which is to say the governments — retains its ultimate decision-making power on matters where national interests are at stake, the right of veto will continue to hold sway.

The fact is that the President of the Commission (and even more so the Minister for Foreign Affairs, who is one of its vice-presidents), despite being elected by the Parliament by qualified majority, is still appointed by the heads of state and of government. Therefore, not being directly elected by the European people (and not reflecting their preferences), he/she lacks the political authority and power to govern key areas of European life, such as foreign policy and economic policy. It thus seems clear that if Europe is to be able to meet effectively the enormous challenges now before it — contributing to the defining of a new balances of power in the world and managing economic and monetary union in pursuit not only of the objective of stability, but also in accordance with the goal of sustainable growth, following the guidelines established at the Lisbon summit, — what is needed is an institutional leap forward, the creation of a direct link between the will of the European people and Europe's decision makers. What is needed, ultimately, is the creation of an out-and-out federal state in which the European Commission is the executive power, a government elected using a democratic system that takes into account the results of the European elections, and in which the Council of Ministers is merely a legislative organ: a second chamber, there to assert the interests of the various member states without blocking the decision-making process, and to guarantee correct application of the principle of subsidiarity.

In truth, the European Convention fulfilled the mandate conferred on it at Laeken, which was, essentially, to draw up a draft Treaty acceptable to all the EU member states. Today, the Union's 25 members can, albeit with difficulty, reach unanimity on how to manage the *acquis communautaire* in this enlarged setting; but this unanimity is destructive if the

objective pursued is the gradual transformation of the Union into a federation with limited, but real powers in sectors that should, on the basis of the principle of subsidiarity, be Europe's responsibility. And that is not all: in reality, many consider that it is unrealistic, in today's political climate, even to refer to this objective as the inevitable outcome of the process of European unification, given that there are countries that are opposed to any federal evolution of the process and that prevent the reaching of unanimous decisions on federal solutions.

## 2. A Theoretical Contribution to the Definition of the Hard Core.

The analysis, at this point, may be facilitated considerably by a few simple considerations, using the tools of political economy. The question is this: given that the intergovernmental conference, on the basis of the results of the work of the European Convention, seems to have managed (uncertainty over the final outcome of the ratification process apart) to define a constitutional framework for managing the *acquis communautaire* in a 25-member Union, is it now possible to imagine a Europe of concentric circles, with a federal core (made up of those countries willing to accept further reductions of their sovereignty in order to manage foreign and security policy and economic policy efficiently at European level) inserted in the framework of a broader confederation (with 25, 27, 28 or 30 members), whose role is merely to manage the *acquis communautaire*, and without any further relinquishing of sovereignty on the part of the member states that are not part of the hard core? The economic theory of federalism seems to offer useful pointers that might help to answer this question, because the creation of a Union — and thus the transfer of sovereignty from the states to the Union — is justified by the existence of important external effects and major economies of scale, whereas the conferring on the Union of specific competences becomes more difficult when there exists a marked heterogeneity of preferences. It was with this in mind that von Hagen and Pisani-Ferry [2003], for example, remarked that responsibility for foreign and security policy should be transferred to Europe in order to guarantee internalisation of the spillovers and full exploitation of the economies of scale; but it can also be seen that such a transfer of competences is complicated, in Europe, by the member states' widely differing preferences on the management of these areas.

From a theoretical point of view — and here we refer to the theory of the clubs, in which the emphasis is placed on the need to determine

simultaneously not only the role, but also the size and composition of the club — it is possible to find a way out of this dilemma. This is providing that the preferences are not regarded as exogenously imposed, but rather as endogenous — along the lines indicated by Alesina and Grilli [1993] — hypothesising a Union of variable dimensions. The question has been addressed theoretically by Bordinon and Brusco [2003], who considered the possibility of using the instrument of enhanced cooperation, whereas Alesina, Angeloni and Etro [2003] envisaged a model of a Union in which the trade-off between the benefits of internalisation of the spillovers and the sacrifices linked to the loss of autonomy in policy management determine, endogenously, the “size, composition and scope of the Union.” In accordance with this line, it is possible to justify, as efficient, the choice of a Europe of concentric circles, in which there is an initial group of countries — the hard core — that can enjoy not only the benefits deriving from the internalisation of external effects and economies of scale, but also a relative homogeneity of preferences, which might together lead them to accept a welfare-enhancing federal solution, and a second group of countries, whose preferences are more heterogeneous compared with those of the hard core, that can, at the same time, go on enjoying the benefits deriving from their exploitation of the *acquis communautaire* and retain a considerable margin of autonomy in the management of other policy areas. In political terms, this solution has already been outlined, by President Mitterrand, re-proposed in the Schäuble-Lamers project, and developed by German foreign minister Fischer in his speech at the Humboldt University in Berlin. But nowhere in the work of the European Convention was this hypothesis seriously entertained. It thus remains to be seen whether some countries might prove capable of reviving it as a means of finding a way out of the impasse that is created between those who wish to move towards extension of the majority vote as the general rule and the progressive building of a European economic and foreign policy and those who instead oppose the federal solution and are not willing to accept further reductions of their sovereignty.

### 3. Ratification of the Constitutional Treaty.

The new Constitution can come into effect only when, upon completion of the relevant procedures in each country, it has been ratified by all the member states. The possibility that the Constitution may not be ratified has clearly increased in proportion to the increase in the number

of countries called upon to take this formal step. With regard to the ratification of the Treaty, a Declaration annexed to the Final Act of the Intergovernmental Conference states that “if, two years after the signature of the Treaty establishing a Constitution for Europe, four fifths of the member states have ratified it and one or more member states have encountered difficulties in proceeding with ratification, the matter shall be referred to the European Council.”

In fact, what this clause implies is that the choice is, ultimately, a political one. This offers an opening to those member states that are convinced of the need to work towards the completion of the Union’s transformation into an out-and-out federation, and should encourage them to fight for an extension of the majority vote as the general rule (at least in relation to the creation of new resources to fund a European policy promoting an enhanced rate of economic growth) with a view to the creation of a “hard core” that will promote the institution of a European government with responsibility for economic policy and, subsequently, foreign and security policy, with all that that implies in the defence sphere. This hard core could thus ratify the Treaty — thereby clearly interrupting the legal continuity of the Union —, in the full awareness that some of the member states, which will of course remain part of the Union with all the attendant rights and duties, will not initially be willing to be part of the hard core, but will be unable to prevent its formation if the Council decides that the entry into force of the Constitution (and subsequent amendments of the same) can be decided not by unanimity, but upon the consensus merely of those countries that wish to adopt it (and, thus, wish to proceed along the path that will lead to further relinquishing of their national sovereignty).

The battle, therefore, is not over and the choices that must be made during the ratification process are important, providing there indeed exists the will on the part of a group of member states — and in particular on the part of the Six founding members — to move towards the progressive creation of a federation capable of promoting the development of Europe’s economy and of making Europe’s influence felt in the creation of a new, multi-polar world order, which is the indispensable condition for promoting peace and balanced global economic growth.

### 4. The Limitations of the Stability Pact and the European Action for Growth.

In the area of economic policy, the most striking problem recently to



emerge has been the general slowing down of the European economy. This has prompted, in many countries, widespread debate on the need to revise the Stability Pact, given that the effects of automatic budget flexibility have upset the balance of state finances, particularly in the larger countries, and given that it has become increasingly difficult — not least from the point of view of retaining political consensus — to respect the constraints imposed by the Pact.

Indeed, according to the terms of the Maastricht Treaty, member states are required not to exceed a budget deficit the equivalent of 3 percent of their Gdp. This limit was imposed in order to offer the other members of the monetary union protection against negative external effects. But when a single country is hit by an asymmetric shock, the automatic adjustment mechanisms provided for by the “optimum currency areas” theory (wage flexibility, mobility of labour, the existence of a substantial federal budget) do not, within the European Monetary Union, operate effectively. As a result, in the presence of such a shock, automatic flexibility of the budget of the country affected is the only adjustment mechanism that remains: when the Gdp falls, so does revenue, whereas expenditure — one need only think of social security costs — increases as a result of the worsening economic situation. The Stability Pact thus established — correctly from this point of view — that if the revenue stabilising mechanisms based on automatic variation of the budget deficit are to work correctly, while also ensuring that the budget deficit does not exceed the 3 percent limit, then the budget must initially be balanced, or even record a surplus. If this requirement is fulfilled, a budget deficit equal to or greater than 3% allows the recession to be tackled with an expansionary fiscal policy while at the same time complying with the constraints of the Maastricht Treaty.

But the Stability Pact also presents considerable limitations, in that it states that only in exceptional circumstances (particularly severe recession, characterised by an at least 2 percent reduction of the Gdp in real terms) can the 3 percent budget deficit limit be exceeded; and that even in such a situation the exceeding of the ceiling must be temporary: indeed, the deficit must be brought back within the 3 percent limit as soon as the period of severe recession has been overcome. If the breaching of the 3 percent rule is not justified by a situation of severe recession, the Council, having noted the existence of the excessive deficit, formulates a recommendation for its correction, to be completed (unless there are other special circumstances) within the space of a year. This means that if a country starts off with a balanced budget or with a budget surplus, the

margin of automatic flexibility can be used to guarantee an adequate anti-cyclical economic policy; but if, on the other hand, it starts off from a situation in which a balanced budget is still a distant objective that can be achieved only in time, then the effects of automatic stabilisation immediately push it over the 3 percent limit, particularly if the recession is not severe (and thus not exceptional in character), but instead protracted. In this case, the Council must formulate a recommendation that sets out the measures to be taken in order to return below the 3 percent limit, thus effectively promoting a pro-cyclical economic policy.

The application of the Pact has negative consequences of two types:

a) given that governments, too, abide by the principle *primum vivere, deinde philosophari*, corrective measures — basically, reduced spending and increased taxation — in a situation already characterised by factors of recession, either are not applied or, if they are applied, generate, in addition to negative (pro-cyclical) effects, a reduction of consensus that has repercussions not only on the governing political class, but also on the process of European integration;

b) in order to avoid these effects, the recommendations on the corrective measures to be taken tend to go unheeded. This undermines the Pact, the credibility of which should instead be preserved, given that it serves to strengthen the culture of stability introduced by the Maastricht Treaty.

Because of these limitations, numerous reforms of the Stability Pact have been proposed. First and foremost, the recent Ecofin decisions, which states that reference must be made to the structural budget when determining adherence to or failure to respect the ceiling (i.e., to the deficit corrected for the effects on the budget of cyclical fluctuations), had the effect of loosening the constraints of the Pact. But the most widespread proposal concerns application of the *golden rule*, that is the exclusion of public investments from the budget balance. This would naturally allow the member states to adopt expansionary measures and, in particular, to fund, through deficit, investments in the creation of infrastructures. However, this solution, too, presents many shortcomings, given that:

a) the definition of public investments is highly ambiguous, a fact that may allow states to get round the terms of the Pact by including current expenditure under the heading investments;

b) this type of measure favours investments, which can be funded through deficit, over current expenditure, even though the latter might, in some cases, be more productive (in the education sector, for instance, it

might lead to the building of new schools rather than the recruitment of new teachers);

c) but the biggest shortcoming derives from the fact that within the single market the expansionary effects of increased expenditures at national level tend to be reduced by the large leakages, through import, from the income circuit; this, in turn, reduces any multiplier effects, on incomes, of changes induced in the purchasing of domestic goods. In the presence of positive external effects that benefit those countries that belong to the European Union but do not conduct expansionary policies, the production of “stabilisation” in each country thus tends to remain at sub-optimal levels.

In order to overcome these problems and at the same time to guarantee the re-launching of the European economy and adherence to the terms of the Stability Pact, a hefty programme of public investment, able to strengthen the single market and bolster demand in the current phase of economic stagnation, needs to be managed effectively at European level. It is not a question of coming up with something new: a similar project, usually referred to as the “Delors Plan”, was developed more than ten years ago by the European Commission [1993]. This plan set out, first and foremost, a broad programme of public investments conceived not only as a means of sustaining demand in a period of economic slowdown, but also as an instrument for strengthening the European economy. Furthermore, the Delors Plan advocated a shift away from a fiscal model based mainly on the taxation of labour — particularly unskilled labour — towards one based on the taxation of energy, so as to create a model of sustainable growth not only on a social but also on an environmental level.

A re-launching of the Delors Plan, in an updated form that sets out not only to stabilise the European economy but above all to set in motion the realisation of the Lisbon strategy, thus appears to be on the agenda. Basically, it is a question of promoting, at European level, a coordinated plan of infrastructural investments — material and immaterial — capable of filling the infrastructural gap created in many EU countries by application of restrictive economic policies (first in order to meet the parameters of Maastricht and subsequently in order to respect the terms of the Stability Pact) and at the same time of increasing competitiveness and of favouring the launch of a model of sustainable growth. Initially, this plan could include:

a) investments in the completion of European transport, energy and telecommunications networks;

b) a plan for research and development expenditure, to boost the competitiveness of European firms;

c) the funding of a series of projects designed to improve the quality of life of EU citizens (sustainable mobility, clean water supplies, clean and renewable energy sources, etc.);

d) investments in conserving and promoting the use of cultural heritage.

An initiative along these lines was launched by the Italian government, which placed a *European Action for Growth* plan at the top of its programme for Italy’s six-month presidency of Ecofin. The success of this plan depends on three conditions:

a) that it is a truly European plan, in other words, the main instrument of a European economic policy designed to promote growth;

b) that it is sufficiently far-reaching, making provision for public investment in infrastructures, material or immaterial, to the value of around 0.5-1 percent of the European Gdp;

c) that it is able to give out a strong positive signal capable of restoring a climate of confidence among families and industry.

Despite Ecofin’s ratification, it is difficult to imagine what the future might hold for this plan. What is certain, however, is that it marks an important turning point: after a decade in which it was asserted that there can be no growth without stability, it has finally been realised that there can be no stability without growth.

##### 5. *Europe’s Lack of a Role on the International Stage.*

In today’s globalised world, Europe finds itself with an increasingly minor role to play. Whereas the United States, following the collapse of the bipolar world order, is playing the part of a superpower with hegemonic ambitions (supported in this endeavour by a fast-growing economy) and the world’s developing regions are making their presence felt on the international stage hitherto occupied solely by the industrialised nations, Europe, despite recent advances, is being pushed increasingly to the fringe of world government. As a result, “euro-pessimism is back.” Indeed, it was with these very words that Faini (2004) opened a recent paper on the decline of Europe. In fact, in spite of the successful completion of monetary union and of the process of Europe’s enlargement to include ten new countries, a climate of pessimism reigns throughout the continent.

And yet even a rapid glance at the key events of the past fifteen years

is enough to show that this pessimism is not only unwarranted but also, in many ways, surprising. In 1989, following the collapse of the Berlin Wall, it was generally felt that the “global village” was moving inexorably towards a future of peace and progress. In this setting, France obtained (in return for giving Germany’s re-unification the go-ahead) German approval of the monetary union plan, which brought to an end the long process, begun with the Delors Plan, of completing the single market. In 1992, the Maastricht Treaty indeed set out the stages for the creation of the European currency, and fixed January 1st, 2002 as the date on which these different stages would be concluded with the introduction of the euro on to the market. At the same time, negotiations were begun for the enlargement of the European Union to the countries of central and eastern Europe, a process that was destined to end with the entry of ten new member states, including Cyprus and Malta, on May 1st, 2004.

The outlook for the new millennium thus looked extremely positive. Then, on September 11th, 2001, everything was suddenly turned upside down by a shocking terrorist attack that struck the United States of America on its own territory and triggered a political phase characterised by the emergence of strong tensions, reflected in a re-opening of conflicts in various parts of the world. In actual fact, in the previous decade, war had, tragically, also returned to European soil: from April 1992 to December 1995, the Balkan peninsula was rocked by the bloody conflict that ended up by destroying Bosnia-Herzegovina, and the period from March to June 1999 saw NATO intervening in Kosovo to free the Albanians from the grip of the Serbs. This crisis, unfolding in such close proximity to Europe, exposed with extreme clarity both the instability of the equilibrium resulting from the end of the bipolar era, and Europe’s total incapacity to deal autonomously with tensions arising in a territory lying right on the edge of its own area of influence. The new millennium thus opened with a series of increasingly violent conflicts, ranging from Afghanistan to Iraq, which have involved the entire world community and fuelled a situation that is destined to increase further the risk of a spread of terrorism.

In this setting, Europe’s lack of any real capacity to make decisions in the spheres of foreign and security policy, leaving the weight of such decisions solely in the hands of the President of the United States, has influenced significantly the development of international relations. Indeed, whereas Europe proved able to conduct — through the tried-and-tested mechanisms already used in the past for previous enlargements — a common foreign policy resulting in the entry into the EU of the new

countries of central and eastern Europe, its lack of efficient decision-making mechanisms has prevented it from influencing, for instance, efforts to find a solution to the problems of the Middle East, and in particular to the ongoing Israeli-Palestinian conflict, and above all from playing an active role over the war in Iraq, which saw the European states split into two opposing factions.

Many commentators underline this fact to illustrate the impossibility of Europe’s playing a role in international politics, given the heterogeneity of preferences across the various European countries. But this argument misses the crux of the whole question, which is instead linked to the Union’s institutional model. In fact, the draft Constitution approved by the meeting of the European Council in Brussels on June 18th, 2004 reads (Article III-295(1): “The European Council shall define the general guidelines for the common foreign and security policy, including for matters with defence implications;” and Article III-300(1) specifies that “European decisions referred to in this Chapter shall be adopted by the Council of Ministers acting unanimously.” It is clear that no common European foreign policy is ever likely to emerge while this decision-making structure is in place; indeed, even the United States would find itself in similar difficulties should its foreign policy decisions have to be reached unanimously following negotiations within the Senate, in which all the member states are represented!

## 6. *Europe’s Economic Decline.*

While the recent evolution of international relations highlights clearly, on the one hand, the difficulties the United States faces in attempting to establish its hegemony on a global scale and, on the other, the difficulty of initiating a new world order in which the European Union plays a decisive role, Europe, at the start of this new millennium, is also faced with another source of difficulty: the re-emergence and widening of the gap that separates it from the United States economically. The technological gap favouring the American economy is clear to see: per capita income in the Eurozone is stuck at only 70 percent of the corresponding American value, and the US economy is recording growth levels far superior to European ones. Talk of Europe’s decline is once again rife. An in-depth analysis of these phenomena is contained in the Sapir Report [2003], which set out to define the political agenda that must be followed in order to re-launch European economic growth.

A trickier assessment emerges from two recent papers [Faini 2004,

Blanchard 2004] that, without wishing to contradict the basic theme of the Report (i.e., the need for a significantly greater amount of resources to promote research and innovation at continental level), nevertheless paint a more detailed picture of the current state of the European economy. In particular, Faini reveals that as long ago as 1981-90 the growth rate of the American economy (2.9 percent) was already half a point greater than that of the European economy (2.4 percent) and that in the period 1991-2002 the gap widened to almost a point, with the US economy recording 2.88 percent and the Eurozone 1.92 percent. But the picture changes altogether if one considers per capita growth of the Gdp: indeed, whereas in the first of these decades growth in the Eurozone was slightly higher than in America (2.1 percent in Europe versus 1.9 percent in the USA), in the period 1991-2002 the reverse was true (1.73 percent in the USA versus 1.6 percent in Europe). Much of the difference in growth rate measured in this way, i.e., on the basis of the Gdp, is thus attributable to the increase in the population.<sup>1</sup> Breaking down the last decade, it can be seen that the European growth rate fell dramatically in the sub-period 1991-1996, whereas in the second half of the decade it was basically in line with that recorded in America.

In his analysis, Faini also seeks to measure the factors that have influenced the growth rates differential, showing clearly how increased hourly productivity contributed to reducing the income gap between Europe and the United States, the Eurozone recording a level of 2.09 percent as against the USA's 1.30 percent in the period 1979-2001, a result dramatically reversed in the latter part of that period, from 1997 to 2001, which saw American productivity shooting up (2.92 percent) and European productivity falling sharply (1.09 percent).<sup>2</sup> But, leaving aside this long-term trend of increased productivity, the factor that really seems to account for the constancy of the disparity in per capita income is the number of hours worked, which has remained basically stable in the United States, but fallen dramatically in Europe, from 1745 hours in 1979 to 1521 in 2001.

The results of Faini's analysis are largely in line with those produced by Blanchard, which reveal that Europe has recorded a substantially greater increase in productivity in the past thirty years, but that whereas Europe used part of this increased productivity to increase leisure, in the United States it was channelled into increasing production. The two authors agree that these observations should not, however, be used as an excuse for not introducing the reforms — in particular, through the liberalisation of labour and, especially, of products markets, and the

strengthening of policies designed to promote research and technological innovation<sup>3</sup> — that are needed in order to boost the European economy, particularly bearing in mind the fact that in recent years the gap between the American and European growth rates has again been increasing.

The Sapir Report starts from other assumptions and, not subscribing to this interpretation of Europe's relative decline, prescribes a different therapy to boost the European economy, a strict regimen based first and foremost on a considerable concentration of Community spending on research and technological innovation.<sup>4</sup> But one factor common to these different viewpoints is probably their criticism of the policies conducted in Europe over the past decade, a criticism that targets in particular the constraints imposed by the Stability Pact at a time when most of the Eurozone countries found themselves in conditions of economic stagnation. Meanwhile, from a political point of view, the crisis of the Pact emerged quite clearly when, following a decision by the Council, France and Germany escaped sanctions notwithstanding their renewed violation of the limits imposed by the Maastricht Treaty on the size of the deficit.

#### *7. European Economic Policy.*

We have already discussed the shortcomings of the Stability Pact. It is now worth considering the scope for promoting economic recovery in the Eurozone through economic policy initiatives conducted at European level. A policy for re-launching the economy at national level cannot be seen as an adequate way forward, not only because the effectiveness of such a policy would be limited — the openness of the economies of the member states within the single market reduces expansionary and thus multiplier effects considerably — but also, and above all, because in the presence of strong spillover effects, the production of that public asset called "stabilisation" necessarily remains at sub-optimal levels. In order to sustain the European economy, it is thus necessary to think in terms of a common initiative, as also suggested by the Sapir Report, which envisages a different use of Community budget resources. To this end, the steps that need to be taken at European level are well known and have been clearly defined within the ambit of the Lisbon strategy, which aims to turn Europe into the world's most dynamic and competitive economy, knowledge-based; but the failure to implement the Lisbon strategy must prompt us to conclude that it is in the political and particularly in the institutional sphere that the problems and difficulties arise. Even the draft Constitution fails to introduce any substantial change in relation to the

management of economic policy. Indeed, Article III-178 decrees that “member states shall conduct their economic policies in order to contribute to the achievement of the Union’s objectives, as defined in Article I-3, and in the context of the broad guidelines referred to in Article III-179(2)” and Article III-179(1) states that “member states shall regard their economic policies as a matter of common concern and shall coordinate them within the Council.”

This solution presents an important innovative element, but also a severe drawback. The coordination of fiscal policies model adopted in Maastricht, and confirmed by the Constitution, is significant because it tends not to assign stabilisation policy entirely to Europe, but instead leaves primary responsibility for it with the nations, going only so far as to affirm the need to guarantee coordination of fiscal policies at European level (an attempt, at least, to avoid the risk of asynchronous stabilisation policies, with one country pursuing an expansionary policy while another is implementing a recessive economic policy) and, through multilateral surveillance mechanisms, to direct national fiscal policies towards convergence of economic performances.

This is, indeed, a major shift a way from the theoretical model of fiscal federalism (Oates [1972]), according to which responsibility for stabilisation lies with central government. Instead, in the European experience, contrary to what is normally suggested in the literature, it has not been deemed necessary to transfer the direct management of stabilisation policy to supranational level. Responsibility for stabilisation policy is, indeed, left in the hands of the states, even though coordination of it at supranational level has to be guaranteed. But while this innovation, in principle, must be considered positive in that it strengthens the federalist vein in economic policy management, it must nevertheless be reiterated that this model is severely flawed, the flaw being that the coordination is basically ineffective in that it has to be carried out within the ambit of the Council, which can only issue recommendations — recommendations that are not sustained by adequate coercive mechanisms obliging the states that receive them to adopt the measures they prescribe.

Also significant is the procedure for the adoption of the recommendations. Indeed, the draft Constitution produced by the European Convention stated (Article III-76) that “the Council shall, on a proposal from the Commission, having considered any observations which the Member State concerned may wish to make and after an overall assessment, decide whether an excessive deficit exists. In that case it shall adopt, without

undue delay, according to the same procedures, recommendations addressed to the Member State concerned with a view to bringing that situation to an end within a given period.” But the Article 184(6) in the text of the Constitution adopted by the Intergovernmental Conference replaces the clause “according to the same procedures” with “on a recommendation of the Commission”: consequently, whereas the initial version required a proposal from the Commission, which the Council could reject only unanimously, the revised version makes provision for a recommendation on the part of the Commission, which, to be rejected, need only be opposed by a minority. The difference is thus substantial and represents a further erosion of the powers of the Commission in favour of the Council. Furthermore, the recommendations addressed to the member states will no longer be made public, thereby also precluding a possible “moral suasion” effect.

As a matter of fact, fiscal policy decisions taken at European level are subject to the principle of unanimity, but this rule can guarantee neither the democratic nature nor the effectiveness of such decisions. Ultimately, in the presence of a confederal structure like the one that persists in the fiscal area, in which the right of veto still prevails, and of a coordination whose effectiveness is not guaranteed by the attribution of effective powers to the highest level of government, what we have is not a European economic policy, but a summation of national policies, which are not equipped to promote, in Europe, the growth policy that Europe needs. The monetary union thus lacks the support of an economic union able to guarantee growth of income and of employment, and to promote the achievement of the other economic and social policy objectives mentioned in Article I-3(3) of the Constitution, which decrees that: “the Union shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, highly competitive and aiming at full employment and social progress, and with a high level of protection and improvement of the quality of the environment. It shall promote scientific and technological advance.”

Once the opportuneness of implementing a European policy for growth is acknowledged, there emerge two different problems that must be tackled, and viewed entirely distinctly. The first concerns the possibility of achieving, through an effective combination of fiscal and monetary policies (given that monetary policy is now managed directly by Europe), a macroeconomic equilibrium in the entire Community. The second problem, which here we mention merely in passing, concerns the possi-

bility of guaranteeing stabilisation of the macroeconomic variables in each of the member states following the abandonment, in the wake of the creation of the single currency, of the possibility of modifying the exchange rate level. Here, the rules of the Stability Pact, in particular, are at stake.

Instead, with regard to the development of the European economy as a whole, the fiscal policy direction adopted emerges as particularly significant, especially considering that the statutes of the European Central Bank state clearly that the priority task of monetary policy is to guarantee price stability. With regard to fiscal policy, the main problem that emerges is that of establishing whether the income growth targets must be reached attained through the Community budget — as also suggested by the Sapir Report — or instead through coordination of the fiscal policies conducted by the member states.

#### *8. The Limits of Coordination and the Reform of the Budget.*

In all existing federations, the macroeconomic stabilisation of the entire economic system is a task that falls to central government. From a theoretical point of view, the main justification for assigning this function to the federation must lie in the existence of external effects. In an open economy a considerable proportion of public expenditure is destined, through variation of imports, to benefit non-residents, whereas the residents themselves are required to sustain the resulting costs through the higher taxation that will subsequently be required to fund the increased public debt: the result is production of a less than optimal amount of the public asset known as stabilisation.

Economists largely share the view — already theorised by Musgrave [1959] in his definition of the economic functions of the public sector — that the stabilisation policy must be the responsibility of central government. This was indeed the line taken by the MacDougall Report [1977], which remarked that “the prima facie case for an increasing Community involvement in the general regulation of economic activity is based on the increasing interdependence of national economies, through increasing trade, capital flows and internationally transmitted inflation. The more open the economies of member States in all these respects, the less effective national instruments of economic policy become. Multiplier effects on internal demand of tax or expenditure changes are dampened by a high propensity to import. The presumed remedy is to pursue the objectives at a higher level of government with a broader jurisdiction

encompassing major spillover or leakage effects, either through coordination or direct fiscal action. However, any proposal for direct fiscal action for this purpose at the Community level encounters two major issues, the interrelation with monetary policy and the question how to achieve adequate scale of operation.”

The first obstacle to the Community’s taking over of stabilisation policy management, mentioned in the MacDougall Report, appears to have been overcome within the framework of Emu, since monetary policy has become Europe’s responsibility. But the second obstacle to the use of fiscal action for the purpose of economic stabilisation, remains unresolved. The element that distinguishes the Community situation from that of existing federal states is, in fact, the enormous disparity, considering public expenditure as a whole, between the amount that is managed through the budgets of the member states and the amount that is managed through the Community budget, the latter corresponding, in 2003, to just 0.98 percent of Europe’s Gdp. The MacDougall Report had indeed already remarked that “as to the question of critical scale of fiscal action, the small size of the Community budget in the ‘status quo’ and ‘pre-federal stage’ implies that in order to have a perceptible macroeconomic effect on the Community economy as a whole, the budget balance would have to swing by enormous percentage fractions of this budget — e.g. 50 percent.”

In general, it is thus believed that, given the current size of the budget and the rules that govern it (i.e., the impossibility of closing the budget in deficit (Article I-53) and the lack of flexibility due to the multiannual financial framework introduced by agreements on budgetary discipline in 1988 and confirmed in Article I-55), the role of the Commission in the management of the stabilisation policy at European level can amount to nothing more than promoting coordination of the member states’ fiscal policies.

Coordination is certainly necessary, even in the presence of direct fiscal action at central government level, in order to prevent the emergence, due to pro-cyclical budgetary policies at lower levels, of effects that impede the attainment of the stabilisation policy objectives. But within the Union, coordination is the only instrument available for countering the shocks that can hit the European economy. In this regard, it is necessary to be aware of the need, first of all, to evaluate from this perspective the compatibility of the rules established by the Stability Pact, which require the budget to be close to balance or in surplus. Indeed, at national level, given the impossibility of using the instrument of mo-

netary policy, anti-cyclical variations of the budget balance, with the formation of surpluses during expansionary phases and deficits during recessive phases, would tend to increase if full responsibility for the stabilisation policy were assigned to the member states. Second, it should be recalled that as external effects become increasingly marked, with completion of the single market, the less willing the member states will be to develop stabilisation policies. Finally, and this appears to be the decisive point, the effects of a discretionary policy based on coordination of the fiscal measures adopted by the member states tend to emerge with a time lag that is so great as to void this policy of all its stabilising potential.

Coordination of the fiscal policies conducted by the member states is thus a necessary condition, but not one sufficient to guarantee the effectiveness of a common stabilisation policy against severe macroeconomic shocks affecting the European economy. In this regard it is worth recalling that fiscal policy can generate asymmetric effects in a monetary union, and thus a deflationary bias. If, indeed, there emerges the need to adopt a restrictive fiscal policy — for example to contain the budget deficit following an exogenous shock which has produced negative effects on volume of output —, there is the risk that each member state will increase taxation or reduce expenditure without taking into account the deflationary effects induced by similar measures adopted in the other countries. Basically, the risk of overshooting derives from the need to attain the objective come what may, regardless of the behaviour of the other partners, not least in order to respect the constraints imposed by the Maastricht Treaty and to avoid the sanctions set out by the Stability Pact. But, on the other hand, the pursuit of expansionary policies is difficult, both because the effects of the fiscal policy are, in any case, partially lost as a result of the existence of spillovers, and because countries are unwilling to act as an economic driving force, generating advantages the benefit of which will also be reaped by their free-riding partners.

Coordination can certainly reduce the probability of this deflationary bias emerging, but given the time it takes to arrive at the political decision needed in order to put it into effect, the risk of overshooting, due both to the effects of automatic stabilisation and to discretionary fiscal policy measures, nevertheless remains. It must also be underlined that, in the process of reaching effective political decisions, the stronger states certainly seem to wield greater influence in the definition of coordinated fiscal policy measures, as is the case in all confederal type political structures. The member states that are economically, and politically,

weaker are thus unlikely to follow this path with much enthusiasm.

In short, the conclusion that can be drawn from these observations is that the Union, in a political framework that is in any case destined, according to the intentions of the founding fathers, to evolve in a federal direction, must be equipped to manage an autonomous policy for promoting growth through adequate budgetary policy reforms that include: a) increase of the size of the budget (this is inevitable, not least for reasons related to the allocation of resources, particularly in view of a much-needed increase of the Union's competences in the spheres of foreign and security policy; b) modification of the budgetary rules in order to guarantee compatibility with the objective of monetary stability in the medium term, but also to allow more flexible use of resources in the short term; c) the introduction of budget financing instruments that can be considered true own resources and that, guaranteeing real autonomy, strengthen the competences of the European budgetary authorities, at the same time introducing flexibility on the revenue side so as to favour automatic stabilisation in response to exogenous shocks affecting the European economy as a whole.

#### *9. The Institutional Requirements for an Effective European Economic Policy.*

In the current Community setting, characterised by the existence of a confederal type political structure, control of European public expenditure is guaranteed by strict budgetary discipline rules and by the fact that decisions on revenue can be taken only by the unanimous approval of the member states. This solution is generally regarded as highly inefficient, and the need to introduce major changes thus appears entirely reasonable. But given the current political conditions and bearing in mind the debate that has grown up around the Constitution, the kinds of budgetary reform previously hypothesised appear extremely unrealistic. They are, indeed, based on a strengthening of the competences of the budgetary authority, made up of the European Parliament and a Council transformed into a federal senate and given the capacity to reach qualified majority decisions also in the fiscal sector. Furthermore, the budgetary authority should also have the power to make decisions on the financing of European public expenditure. And in fact, in the ambit of a political union with a federal vocation — which is what might be hoped emerge from the new Constitution — it should be envisaged that the entire budgetary policy, both the revenue and expenditure sides, be governed democratically

through decisions reached jointly by the two branches of the budgetary authority, still in full compliance with the terms of the Maastricht Treaty that impose fiscal policy limits designed to guarantee the financial stability of the Union. And management of the entire budgetary policy should be entrusted to the Commission, transformed into an out-and-out European government, sustained by the consensus of the citizens and answerable before the two chambers: the Parliament, representing the citizens, and the Council, representing the states.<sup>5</sup>

Only when these two conditions exist will it finally be possible to talk in terms of an effective economic policy; but as long as coordination continues to represent the only available instrument and as long as the Commission lacks the powers to enforce it, all we are left with is a summation of national economic policies, and not a European policy. From this perspective, not only the Lisbon strategy, but also the reforms envisaged by the Sapir Report are inevitably destined to remain a mere illusion. In the meantime, the progressive decline of the European economy, which, in the current phase of global economic recovery, is proving unable to keep up not only with the United States, but also with China, Japan, Russia and India, is fostering a growing disillusionment with the European Union, as demonstrated by the poor turn-out at the recent European elections. The situation thus seems to come full circle, given that euro-pessimism leads to a gradual strengthening of those sectors of the political class that most openly oppose a federal outcome of the process of European unification; but this federal outcome is the crucial prerequisite for Europe's regaining the decision-making capacity it must have if it is to play, in conditions of equal partnership with the United States, a role on the international stage and to close, once and for all, the gap that separates it from the American economy.

## NOTES

<sup>1</sup> On this factual basis it is correctly observed that "there is little prospect of Euroland achieving an average growth rate of 3% a year over the next decade — as suggested, for example, in the March 2000 Lisbon Agenda — unless there is a marked change in demographic trends. This would require a big shift in political thinking in Europe to encourage much greater immigration — such as a relaxation of restrictions on migration from EU accession countries that exist for the next seven years in many EU member states." (Daly [2004], p.13).

<sup>2</sup> Faini's analysis coincides substantially with the conclusions reached by Gordon [2003], who reveals that in the five-year period 1990-95 American production increased by 2.38% and hourly productivity by 1.14%, as against a 1.6% increase in production in Europe, where there was a quite high increase in hourly productivity (2.46%). But the situation was reversed in the period 1995-2000, which saw production increasing by 3.22% in the USA and by 2.24% in Europe, while the increase in hourly productivity was far greater in the United States (2.13%) compared with Europe (1.27%). Similar conclusions to those of Faini are drawn by Daly [2004], who observes that "over the past ten years, Euroland's "problem" has been one of low labour utilisation rather than productivity. When defined as output per hour, the level of Euroland productivity was only 4% less than the US's in 2003, slightly better than the position ten years ago. Labour utilisation, on the other hand, was 28% lower in Euroland in 2003 than in the U." (p.7).

<sup>3</sup> "It is not a question of finding particularly original answers, but rather of managing to select, within the action of the government, adequate incentives capable of stimulating positive action in two fundamental directions: the accumulation of capital, in its various forms, and the increase of productivity, in particular through a spread of innovation and technical progress." (Visco, I [2004], p.310).

<sup>4</sup> In actual fact, the Sapir Report analyses both the structural and cyclical factors that explain the delay of the European economy. Indeed, in a recent note (Aghion and Pisani-Ferry [2003]), the two authors of the Report reveal that "macroeconomic policy and structural changes must not be opposed to each other. The common conclusion that we have reached recognises the priority of structural factors, but also the impact of errors of macroeconomic management."

<sup>5</sup> Along these lines, Colligon [2003] ends a broad analysis — perhaps the best recent contribution on Europe's economic Constitution — revealing that "the necessary power for macroeconomic policy-making in the European Union can only come from a fully and democratically legitimated government which reflects the collective preferences in the European constituency. This implies, of course, that the economic government cannot be an independent intergovernmental structure, but its tasks have to be assigned to the new-style European Commission which would be responsible to European citizens." (p.161)

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## Notes

### FEDERALIST'S STRATEGY AND CAMPAIGN TOWARDS THE EUROPEAN CONSTITUTION

1. The Congress of Genoa is being held at a time when the European Convention has finished its works. However, the European Constitution is at present in the hands of national governments, which use the right of veto in the attempt to reduce some of the progress that has been made, such as the double majority voting system in the Council. We are facing a political phase similar to the one in which the Treaty of the European Union, approved of by the European Parliament twenty years ago, 14 February 1984, was at stake. Spinelli's Project never underwent the national ratification process because of the opposition of some governments, in particular that of Mrs. Thatcher. Altiero Spinelli was fully aware of this risk. It is not by chance that he reminded the European Parliament of Hemingway's apologue of the old fisherman who, after having caught the biggest fish of his life, sees it being devoured bit by bit by sharks, so that when he reaches the harbour all he has left is a fishbone. The project for a European Constitution runs the risk of ending up in the same way: either it will be reduced to a meaningless fishbone, or it will be abandoned completely, if the major European governments move towards the formation of a Europe of "pioneer groups", in the illusion that it will be possible to form a directory of strong countries to govern the Union of 25. Both these solutions would be disastrous for the future of Europe.

Without a European Constitution there does not exist a shared institutional frame to solve the dramatic problems of the Union, first

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\* In this section, we are publishing several papers presented at the Congress of the Union of European Federalists (Genoa, 19-21 March, 2002), which compare two different strategic standpoints. The texts contain references to the political situation at that time.

among all the need to speak to the world with a single voice. An enlargement without a Constitution would open the way once again to the national divisions among the European nations as they were in the past. It is, therefore, important that the European federalists strongly maintain the course towards the transformation of the Union into a European Federation. During phases of transition, this is an extremely difficult task, because even the forces in favour of the federalist solution risk following the wrong routes, in the hope that there exist easy shortcuts for the achievement of the final objective. The revolutionaries' task is to understand the historical process, analyse the forces at work and indicate the course that can lead to the defeat of the opposing forces. If the federalists want to win their battle for a European Federation, they must be just as realist as the national realists, transforming the aspirations for political unity of European citizens into action. The dialogue between the federalists and the citizens is the mysterious force that has so far advanced European unity — the national realists have not been able to understand this.

2. The present situation of Europe can be summarised with a simple formula: the European Union must become a federal state if it wants to face the challenges of world politics. The end of the cold war, the collapse of the USSR and the German reunification do not leave any other alternatives, except of course that of a dramatic return to the past. If the European Union wants to exist as a world political actor and not only as a passive ally of the United States, it must give itself the necessary means to speak on the same footing as the new and old protagonists of world politics: China, India, Japan, Russia, Brazil and, of course, the United States. Without political unity, the European nations — Germany France and Great Britain included — can only act as passive actors, without any real autonomy and sovereignty, in a world which is now dominated by states of continental size. In fact, the problems that the Convention had to face, unfortunately without solving them completely, concern the creation of a European government, legitimate before the European Parliament, and with the necessary means to act: a European budget sufficient for an effective European economic policy and a defence, to carry out a foreign and security policy.

To properly evaluate the results achieved by the Convention, it is necessary to clarify the nature of the problem that it should have faced, that is the formation of a supranational federal state. When one speaks of state, it is almost inevitable to think of Max Weber's famous definition.

"The state — according to Weber — is that human community which, within the limits of a specified territory, exacts for itself (successfully) the monopoly of legitimate physical force." This definition also represents a reference point for the formation of a federal Europe. However, it is necessary to remember that the phenomenon empirically observed by Weber was the national state, not a supranational state. The national state arose through the concentration of power in a territorial space defined by the sense of belonging — real or imaginary — of a population to a specific national culture. The history of national states, in Europe and in the world, has accustomed us to consider the state and the use of force as two indissoluble entities. Even recently, except for rare exceptions, the struggle for the formation of states born from the collapse of the USSR and of Yugoslavia caused serious bloodshed.

Nonetheless, if we want to investigate the nature of the process of European integration more deeply, we must concentrate our attention on the problem of legitimacy. The ideal of European unity appeared in the course of the Second World War as a project of peace between European nations. The construction of a European federal state cannot be founded on force, by a violent revolution. In Europe it is a question of uniting democratic national states on the basis of popular consensus to guarantee the European people a common future of peace and prosperity. A federal Europe will be the result of a peaceful revolution.

The problem of the legitimacy of the European institutions is therefore fundamental. We can see its importance better by means of a negative example: the collapse of the USSR. After the October Revolution, the Tsarist Empire, a multinational empire, was transformed into the USSR, which adopted a Constitution that was only formally federal: in fact, the strong unifying element was represented by the Marxist-Leninist ideology and by the organisational formula of the single party. Marxism-Leninism never solved the so called problem of nationalities. The principle of self-determination of nations, sustained by Lenin, was not at all compatible with the formula of a single communist party, with a centralised administration. Indeed, the USSR was a communist empire dominated by the Russian nation. For this reason, when Gorbachev started the difficult process of democratising communism, the unresolved problem of nationalities exploded in his face. Once the principles of Marxism-Leninism and of the single party were questioned, the political and cultural pluralism allowed the political class, in search of new ideological pretexts to defend their own privileges and interests, to appeal to the principle of nationality, which would have allowed to obtain

the consensus of the populations more easily. Thus, notwithstanding the enormous military apparatus of the USSR, the crisis of the principle of legitimacy on which the Soviet state was founded, caused the breaking up of the empire. Therefore, the legitimacy of the political power is the true force of a state. A power that citizens consider illegitimate will not be able to maintain the loyalty and unity of the armed forces for long.

3. After the end of the Cold War, the European Union had to face the problem of the democratic legitimacy of its institutions. In the past, after the crisis of the 70s, the European governments had accepted the direct election of the European Parliament to relaunch Europe. It was a first recognition of the principle of European democracy. But now, it was necessary to take a much more decisive step forward. The Maastricht Treaty had completed the formation of the internal market. With the European currency, a fundamental national function — the monetary policy — was transferred to European level. It was evident that the European Union now managed important powers, which conditioned the life and the welfare of European citizens. The new challenges of the control of European economy, of foreign policy and security, would have brought about, if faced adequately, the institution of a real European democratic government. The question of European democracy could no longer be left hanging in the air. The national governments, by considering the Commission a mere bureaucratic organ, had fueled euroscepticism and the request of a return of “illegitimate” European powers to national level.

However, the problem of the legitimacy of European institutions could not be faced and solved within the frame of the traditional intergovernmental Conferences, by means of the diplomatic method. And, in fact, in Maastricht, Amsterdam and Nice the national governments were not able to solve it. Only with the European Convention, to which the representatives of European citizens elected in the European Parliament and in the national Parliaments participated, did the problem begin to be solved. The change came about, even though not in a completely transparent manner, with the decision to draw up a Constitution. A Treaty is a pact among sovereign states. A Constitution is a pact among citizens. It is thus in the context of a Constitution that it becomes reasonable to face the problem of “supranational democracy” and its relationship with “national democracy,” the legitimacy principle that justifies the power of national governments. The formation of a European federal government consists in allocating the different functions and

powers between two fundamental levels where the democratic will of European citizens can be organized: the national and European levels.

If we now examine the project of the European Constitution drawn up by the Convention, we must state that on important issues — such as foreign policy, the finances of the Union and the revision of the European Constitution — the right of veto has not been abolished and that, therefore, a consistent part of Union life continues to be run by means of the intergovernmental method. Nevertheless, we must also recognise that in some cases the principle of supranational democracy has begun to make its way in the intergovernmental fortress. To be concise, let us here remember three innovations. The first is that of the nomination of the President of the Commission which must come about “taking into consideration the elections of the European Parliament” (art. 26). The second concerns the principle of the double majority vote in the Council of Ministers (art. 24). Finally, let us recall the principle of popular participation in the legislative process of the Union (art. 46). With these three examples, the project of the Constitution introduces some improvements also compared to Spinelli’s 1984 Project, allowing European citizens to influence the Union’s political decisions with their opinions. It is true that the European democratic deficit will not be completely filled with these three innovations. But, once a breach has been made, it will be easier to overcome the last resisting forces towards a Federal Europe.

4. The European Constitution represents the indispensable legal pact for the formation of the European Federal State. Since 1950, Altiero Spinelli made clear this relationship, making it the cornerstone of his battle for Europe. Recalling the precedent of the Philadelphia Convention of 1787, Spinelli wrote: “Let us not refrain from considering this procedure as specifically American, not applicable to Europe. In politics, as in other fields, there are inventions, methods, which cannot be avoided or ignored when certain problems occur. For example, from the time the French invented the method of the Constitutional Assembly during their revolution in order to create the basic laws of the state on a democratic foundation, no country could apply substantially different methods for the founding of the institutions of a democratic national state. Likewise, since the Americans invented the means to achieve a federal state without legal interruptions from a group of sovereign states willing to unite, it is necessary for us to utilise this very same method in order to solve the same problem.”

However, the European Convention has not produced a satisfactory

European Constitution as that of the Philadelphia Convention, in particular as far as the procedure for ratification and revision is concerned. This failure is attributed, by some federalists, to a strategic error. The UEF should have asked a group of countries, the Six founding ones, to immediately create a federal state. This point of view deserves to be taken into serious consideration. The issue that within the Union a group of countries should go more ahead than others is important, but it does not represent the heart of the matter. Often in the past, as in Maastricht, a group of countries decided to go ahead. With the other countries, necessary formulas of compromise are negotiated to allow them to reach the main group at a later moment. This problem has once again appeared just before the enlargement, and it has been faced by the European Convention which has studied the formula of structured cooperation in the defence sector in order to allow some countries to move further ahead than other ones. The sole controversial issue is the creation of an avant-garde group which should happen within or outside a constitutional procedure. In short, the problem is to establish whether the European Constitution represents the condition for the formation of the federal state.

The historic precedent of the foundation of the United States of America has been a constant reference point of the strategy of the European Federalists. Without a federal Constitution there would not be an American Federal State today. The case of national unifications is different. In the XIX century, in Italy and Germany, political unity came about on the basis of the military force of a hegemonic state which exploited the widespread consensus for national unity over a vaster territory. The Constitution, as far as the Italian and German unifications are concerned, represented the corollary of political unity. However, for Europe, the way of hegemonic unification is not possible. The formation of the European State involves the transfer of powers from national democratic states to the Union. This process can only occur in a situation of legality, by means of an agreed constitutional method — Spinelli claims “without legal interruptions,” as he himself tried to do at the time of the EDC and in 1984 — not by means of forceful action. It is not conceivable that a group of European governments “agree to unite their states in a federal pact,” that they decide that “the national armies, navies and air forces, as well as gendarmeries, will form a single European army” and that, only at the end of this process, “the provisional government of the United States of Europe will call the election, through a uniform electoral system, of a Constituent Assembly.” It is an unrealistic

project. The existing European governments do not possess this power, even if some of the heads of government really had the will to create a European Federation. This route involves considering the present European institutions as illegitimate, including the European Parliament. We must remember that the principle of supranational democracy, though it had asserted itself very weakly, should be taken into account: today, it is considered an *acquis* of European political life. The national governments can put into question national powers and the European order only within a constitutional legal framework. If France and Germany, in the European Convention, had wanted to venture as far as abolishing the right of veto, even in foreign policy, to create a European Federation, it would have provoked the indignant reactions of the *souverainistes*, but in the end a consistent group of countries would have supported the project of a European Federal Constitution. However, France, which considers the Franco-British-German intergovernmental military cooperation fundamental, was not prepared to venture that far. Today, in Europe there is the consensus to plan the construction of European defence within a constitutional framework. Outside this framework the intergovernmental method prevails, as is demonstrated by the directory that is being formed between France, Germany and Great Britain should Spain and Poland continue to create obstacles for the approval of the Constitutional project.

5. We must now try to understand what the federalist strategy will be at the end of the IGC. There are two possible extreme outcomes: either only the “fishbone” of the Constitution will remain, as happened to Spinelli’s Project, or the Constitution will be approved with insubstantial changes. In both cases, the UEF should consider the need to launch the proposal for a Constitutional Convention, that is a real Constitutional Assembly, with the mandate to draw up a project of a Constitution to be presented *directly* for the approval of European citizens, *without a subsequent convocation of an intergovernmental Conference*.

Should the present IGC fail, this request is evident and it does not require a particular justification for the federalists. On the contrary, should the project of the Convention be approved without substantial modifications, it is however necessary to ask for a new Constitutional Convention to definitely override intergovernmental Europe. The need to reach a true federal Constitution does not depend on the desire for perfection of the federalists. In the present European Constitution two principles of legitimacy of political power coexist: that of national democracy and that of supranational democracy, which can come into conflict

and cause the paralysis of the Union or its collapse. Let us consider for example the entry into the Union of the republics of former Yugoslavia. In recent years a fierce war burst out among them, which went as far as conceiving ethnic cleansing, as Hitler had. What will prevent groups of extremists in these republics or in other ones (there is talk of the possible entry of Israel, Palestine and Jordan after Turkey) from lighting up nationalism and ethnic and racial hatred once again? The European Constitution, contrary to the American Constitution, does not foresee anything to prevent a war between its member states. Within the Union the ideology of absolute sovereignty of the governments over their own armed forces still survives. It is an aberration that prevents European citizens and world citizens from thinking of Europe as a political union. This internal division is the other side of the weakness of Europe in the world. Europe will not be able to speak to the world with a single voice until it has the courage to submit all its armed forces to a single legitimate European power. What the Europeans have done with their currency must now be done with their armed forces.

To conclude, taking into consideration that the method of the Convention can now be considered a European political *acquis*, the UEF should consider the launching of a Campaign for a European Federation or for a European Federal government (the expression "European Government" is the dirty word that the *conventionels* did not have the courage to pronounce), indicating in the convening of a Constitutional Convention the way to give a future to Europe. We can only add that, should the European Constitution be approved of, the convening of a Constitutional Convention will be made easier by the exploitation of art. IV-7 of the European Constitution which allows the European Parliament ask for a new Convention. It is another case in which the principle of supranational democracy has managed to breach in the intergovernmental fortress.

6. The discussion on the strategy concerns the most effective means to reach a certain political objective. However, an agreement on the means is easier to reach if there is also an agreement concerning the aims. It is true that all federalists want a European Federation, but, once again, a European Federation to do what? The debate concerning European foreign policy, the institutional forms of European defence and so on, must now be made in relation to the role that Europe can and must have in the construction of a world of peace, justice and respect for the natural environment devastated by senseless industrial development. In order to produce new projects and new forms of action, these debate must be

channeled into an institutional foundation. For this reason it is essential for the UEF to enter the World Federalist Movement in which some national sections of the UEF and of the JEF have begun to act. If the European federalists are capable of bringing to the WFM their wealth of experience accrued in sixty years of battles for European unity, world federalism will certainly become stronger. But, at the same time, the European federalists, in the WFM, will be able to exploit a higher observation platform in order to elaborate an effective foreign policy for the European Union. From the remote years of the Ventotene Manifesto the federalists in Europe were determined to unite Europe in order to unite the world. Today, the time has come to take another step forward.

*Guido Montani*

## **THE AIMS OF EUROPEAN FOREIGN POLICY AND THE FEATURES OF EUROPE'S DEFENCE SYSTEM**

This analysis is broken down into three parts: first, we identify world unification as the only concept on which a valid EU foreign policy can be based; second, we see that the premise for the effective start of a policy of world unification is the full federalisation of the EU, which implies the overcoming of the fundamental obstacle that is the international monopolar system and its replacement with a multipolar system of cooperation. Finally, we look at the main features of the EU's defence system, which are clearly subordinate to the aims of European foreign policy.

1. The EU is a community of democratic states committed to the construction of a supranational democratic system, that is (as stated by the Schuman Declaration, even though there is strong opposition to the achievement of the ultimate goal), a federation. In the light of this defining quality — democracy — the the concept inspiring EU foreign

policy can be summarised in an expression used by Woodrow Wilson (and in substance repeated by Roosevelt in 1941) to clarify why the USA had entered the First World War: *"to make the world safe for democracy."*

This sentence means essentially three things: 1) that the aim of foreign policy is, generally speaking, to guarantee security in the presence of external threats; 2) that the security of a democratic state relies on the presence of an international system that favours the preservation and development of the democratic system; 3) that there exists a need not only to fight anti-democratic and aggressive states, but also, beyond that, to favour an international situation that is characterised by a reduction (if not an absence) of violence — given that, objectively, violence leads to a sacrificing of liberty in favour of security — and also propitious to economic growth (a condition fundamental to democratic progress).

That said, we must clarify what "making the world safe for democracy" means in the present historical situation. What exactly is this situation? What are the problems to be faced? Wishing to sum up extremely briefly the current world situation, an expression coined by Ulrich Beck, according to whom we are living in the "risk society," seems to me to be particularly apt and illuminating.

The risk society is the transnational global society that has grown up on the basis of an increasingly profound interdependence prompted by the advanced industrial revolution and its transition to the post-industrial or scientific mode of production. The globalised world is the enduring historical context in which we live and it is a world characterised by marked contradictions.

On the one hand, there exists enormous potential for economic, social and democratic progress for the whole of mankind. On the other, we are confronted with existential challenges, whose combined effect is to call into question not just the progress of mankind, but also its very survival; there can also be no doubt that, dramatically, these challenges also represent threats to the whole democratic way of life. Here, I attempt to sum up briefly the three most important of these challenges, as they are the key components of the security problem of our age.

*The first challenge derives from the existence of global social and economic interdependence in the absence of global government.* It is clear that the wealth of the advanced countries and the prospects of progress for all the peoples of the world are based on this interdependence. But equally evident are the enormous contradictions that this situation generates: a) severe financial and economic crises that prevent

economic growth; b) the fact that just 20 percent of the world population has at its disposal 80 percent of world resources; this is clearly the determinant that fuels international terrorism: in a world that is (with regard to trade, production, information and human mobility) increasingly integrated, it is a huge anomaly that is bound to generate fanatic hatred on a large scale, nihilism, religious fundamentalism, despotism and international adventure — in short a climate in which terrorist networks thrive; c) today's human mobility and unprecedented levels of emigration are producing a growing spread of organised crime and also of epidemics.

*The second challenge is the proliferation of weapons of mass destruction (WMDs).* Now that the bipolar era is over, the need to guard against the possibility of wars between superpowers is no longer the central security issue. The crucial challenge has become that of containing a global instability that has its roots both in the phenomenon of globalisation in the absence of global government and in the loss of the stabilising effect of the bipolar order. The new international situation favours — in particular through international terrorism and states on the brink of collapse — the proliferation of WMDs, but, unlike the Cold War era, the balance of terror cannot serve as an efficient deterrent, as such a balance presupposes states with fixed territories that can be destroyed.

*The third challenge is the threat of an ecological holocaust, which is so evident that it does not warrant further comment here.*

In this global situation, "making the world safe for democracy" means finding valid responses to the above-mentioned existential challenges. And since the main feature of all the challenges that characterise today's risk society is the existence of a global society in the absence of global government, a policy of world unification can be the only valid response. This policy must take, as its guiding principle, the grand design — of historical import — of a global federation: a federation based, in accordance with the subsidiarity principle, on a system of continental federations, national states, regions and local communities. *The federation is, in fact, the only institutional system capable of achieving democratic government of interdependence.* That said, it is necessary to look at the concrete routes that the policy of world unification must follow. There are, basically, two such routes and they are closely related.

*The first route is that of regional integration.* Essentially this means exporting Europe's integration experience to Africa, the Middle East, Central Asia, South-east Asia, and Latin America, in order to pacify areas where there is conflict (thereby drastically limiting authoritarian tenden-

cies and military expenditure) and to form transnational economic systems that, no longer forced to act as small, individual states, are infinitely better equipped for economic growth and defence.

In a broader sense, this is an undertaking that must also embrace a strong policy for the stabilisation and democratisation of states that already have continental dimensions (like Russia, China and India), but that certainly do not qualify as democratic supranational communities. In short, if it is accepted that European integration (strongly supported by American policy in its early days) is a grand experiment — incomplete, but nevertheless highly instructive — in state-building, or better in the building of the democratic state, then today the time has come to extend this experience. This means taking real steps towards a more progressive and peaceful world and at the same time building the fundamental pillars of the future world federation.

*The second fundamental route that the policy of world unification must follow is that of the reconstruction and strengthening of global governance.* On one hand, there are enormous problems that must be faced at global level: devastating economic, financial and monetary instability; intolerable injustices and imbalances generated by globalisation; international terrorism; proliferation of WMDs; violent conflicts; ecological emergencies; transnational crime. On the other hand, it is not yet possible to achieve, globally, the close level of transnational integration that can be achieved on a regional level, where closer interdependence, proximity, and cultural affinities render possible, if nevertheless difficult, the construction of supranational institutions that have a federal vocation. This is not to say, however, that it is not both necessary and possible, at global level, to achieve global governance by introducing instruments better equipped to tackle global issues, and above all by institutionalising a substantial transfer of resources from rich countries to poor ones, thereby overcoming the destructive tendency to entrust the market with the task of solving the imbalances of today's globalised world.

The two routes that the policy of world unification must follow are organically linked and thus reinforce one another. This link emerges particularly clearly in the debate over the need to reform the UN Security Council. The only way of strengthening and democratising this institution is through its regionalisation: the UN Security Council should be made up of the existing continental states and of the institutional expressions of regional processes of integration in the world, starting with the EU of course.

*2. The full federalisation of the EU is the premise for the effective start of a policy of world unification.*

*In order to grasp this point fully it is necessary to understand that the world's large democratic states are the only political subjects able to implement this policy.* First of all, these states have a particularly vital interest in promoting world unification, because the existential challenges confronting mankind are also very real threats to the survival of the democratic system. Indeed, in a world that is moving towards a heightening and generalisation of hostilities and that has no perceptible way out of this situation, democracy is bound to perish. Second, only the world's large democratic states have the material resources (economy, technology and capacity for global action) needed for the construction of international democracy, and, likewise, the necessary ethical-political resources: only the democratic system, which is founded on constitutional limitation of power, can accept the consensual limitation of power at international level. Another important feature of the democratic states is that they are home to the strongest and most widespread movements for peace and supranational solidarity, movements that can put crucial pressure on democratic governments to move in the direction of federalism.

That clarified, we must also appreciate that the existing balance of world power hinders the launching, by the democratic states, of an effective policy of world unification. Today, there exists only one large democratic state fully capable of implementing a grand strategy on a global scale: the United States of America. But, even though this state has a vested interest in promoting world unification, its objective power situation constitutes an enormous obstacle to its readiness to accept the costs inherent in such a policy. There are large economic costs, given that what is needed is an extension, globally, of the logic of the Marshall Plan, which means the provision of economic aid on a large scale (linked to important aid on a security level) in exchange for an area's opting for pacification-integration and democratisation. And there are also considerable costs in terms of the reductions of sovereignty that are necessary in order to construct a global institutional system, which, despite being bound, for some time, to have a confederal physiognomy, would nevertheless introduce a genuine multilateral, rather than hegemonic, decision-making system.

Two basic factors prevent the USA from accepting these costs.

First, America occupies a hegemonic position in the current world order. This hegemony leaves it shouldering, practically alone, the huge

responsibility of guaranteeing world security, and at the same time encourages the spread of an imperialist mentality throughout American society and the American governing class, a kind of power vertigo that, according to Ludwig Dehio, has characterised all the powers that, throughout history, have risen to such levels of pre-eminence. Obviously, against this background, there cannot be said to exist within the USA (which must, let it not be forgotten, be attributed the great historical merit of defeating fascist totalitarianism, the hegemonic ambitions of Germany, and subsequently Soviet/communist totalitarianism, and which also has a vested interest in a policy of world unification) the political or psychological conditions that would allow it to accept the costs — in terms of restrictions on its absolute sovereignty and a reduction of the current unbridled consumerism — that such a policy would entail.

Second, the USA, even though it has clear political and military pre-eminence, no longer enjoys the dominant economic position that it did in the 1940s and '50s and that allowed it to finance the Marshall Plan and to take on the costs of governing the world economy. This relative decline of the American economy has been reflected in its decision to base the stability and development of the world economy on market forces (progressive liberalisation of capital flows, financial deregulation, progressive reduction of government economic intervention). This was justified through the imposition, on the world's main financial and trade organisations, of the free-market ideology, which in reality meant the rest of the world having to finance American power.

In the light of this, it is possible to see the objective basis of the current American strategy, and thus to appreciate that it cannot be viewed essentially as a specific choice on the part of the Bush administration. In reality, in today's increasingly interdependent world, which has become a community of destiny, the problem of world unification is a real challenge that demands a response, and the USA is prompted by its power situation to respond to this challenge with a deliberate policy of stable global hegemony, rather than a policy of world unification. This strategy is implemented, in particular, through systematic unilateralism — as demonstrated clearly by the United States' rejection of the International Criminal Court (ICC) and of the Kyoto Protocol, and its delegitimisation of the UN —, through military supremacy (which implies massive re-armament), and through a policy of preventive war (witness Iraq).

This strategy, which is bound to produce less and not more (as claimed) stability, shows certain analogies — acknowledging, of course, that the USA is a democracy and that in the atomic age general wars have

become inconceivable — with the strategy of the European powers in the first half of the twentieth century. In that era, the challenge confronting the larger European states was the decline of the nation-state — the Industrial Revolution had created a need for states of continental dimensions — but being still powerful, they were not ready to accept the reductions of their sovereignty on which a process of consensual unification depended. In this situation, faced with a stark choice: "empire or federation," the European powers opted for imperial expansion, which of course culminated in the German attempt at hegemonic unification of Europe.

Having considered the American situation, let us now take a look at Europe's position. The EU is a large community of democratic states, whose deep-seated interest in promoting world unification is reflected in a tangible trend in this direction. The main manifestations of this trend are: strong support for the ICC and Kyoto Protocol; widespread support for a strengthening of the UN; a policy that favours regional integrations; the fact that the EU and its member states are the leading contributors of development aid; the fact that the largest movements for peace and global solidarity are based in Europe; the document presented by CFSP High Representative Javier Solana to the European Council in Thessaloniki (June 2003), entitled "A safe Europe in a better world," which outlines the role, as guide, that Europe could play in the world.

It must also be underlined that Europe's vocation for a policy of global unification is deeply rooted in its lack of an imperialist syndrome; after all, the process of European unification was born of the catastrophic effects of power politics and founded on the experience of limitations of sovereignty, and this naturally gives rise to an inclination to export this experience.

This clarified, it is, on the other hand, clear that the EU, due to its incomplete federalisation, is incapable of transforming this natural vocation into an effective and systematic strategy of world unification. Full federalisation means: transfer of foreign policy (including development aid) and defence to a democratic supranational body (i.e., the Commission provided, under the control of the European Parliament and Chamber of States, with the power to construct a single diplomatic service and a single army); supranational power of taxation, in order to fund an adequate European budget; the elimination of national rights of veto on questions of constitutional reform.

Complete federalisation of the EU would have two consequences, fundamental and inter-related. On the one hand, the EU would acquire the



instruments allowing it to be an effective actor on the international stage. This is demonstrated by the effectiveness of the Union's action in various sectors (currency, competition policy, trade) in which it is not impeded by national rights of veto.

On the other hand, a fully federalised EU would decisively alter the global equilibrium, as it would be an entity with the capacity to offset American power, and its presence would mean an end to the situation that currently prevents the more advanced countries from finding adequate responses to the challenges of the twenty-first century. In short, it would mark the passage from unipolarism to pluripolarism, since this offsetting of American power would also allow China, India, Russia, Japan and other powers to exert more influence on world affairs. The pluripolar system of the twenty-first century, unlike that of past centuries, would be a cooperative multipolar system because, objectively, the existence of the global risk society acts as a stimulus for cooperation, for the survival of all. In the final analysis, it comes down to a choice: *unite or perish*.

In this situation, a federalised Europe would have the capacity to do more than simply initiate a strong policy for world unification; by bringing an end to America's exclusive hegemony (and its attendant burdens, temptations and hubris), it would also have the capacity to involve the USA in this policy — to convince America to abandon unilateralism, which after all depends on the existence of a one-sided global equilibrium. A balanced partnership between the EU and the USA would, in short, act as the core and the driving force of a policy of world unification.

Here, a comparison with European-American relations in the 1940s may, once again, be useful. In that period, the USA brought to an end the central role, in the world equilibrium, of the European system of states, and thereby paved the way for the start of the process of European unification, which saw integration emerging as a concrete alternative to power politics. Today, a Europe fully federalised through consensual unification, and not through war, would counterbalance America's power, and thus make a vital contribution to America's own transition from power politics to multilateralism and consensual unification on a global scale.

3. *Within this framework, it is necessary to clarify the main features of Europe's defence system.*

Let us begin by considering the concept that inspires European defence policy. Today (in the global risk society, in which traditional

defence policies are becoming obsolete), the fundamental task facing us, on a security level, is *that of contributing to the construction of an effective international police force, conceived as an instrument of state building*, which must clearly be supported by development aid, by the creation of an efficient administration, and so on. *If follows, of course, that the creation of a single European army would strengthen the UN, which must have Europe's security forces at its disposal*. This choice must be reflected in a formal and solemn commitment, made through the inclusion of an article in the European constitution (similar to article 11 in the Italian constitution), which not only identifies peace as the ultimate aim of the European federation's international policy, but also specifies its readiness to limit its own sovereignty in favour of the UN and the availability of its armed forces for crisis management and the purposes of international policing.

This concept of European defence (European defence as a stage in the creation of an international policing system) has several very clear implications: rapid mobility, the capacity for long-term stationing of forces in hot spots such as the Middle East and Africa (always in the context of a policy of regional integration), and organic integration with the action of peace corps. In this regard, the introduction of compulsory civilian service (which could be carried out at local, national or supranational level) would be a crucial aspect of Europe's role in the world.

A European foreign and defence policy would have to be accompanied by serious strategy not just against the proliferation of WMDs, but indeed for their elimination. This would, crucially, require *a commitment (written in the constitution) to transfer these weapons: in short, the European Federation would, under the control of the UN (through a relaunch of the Baruch Plan), inherit WMDs from the national armies*. An issue frequently raised in the debate on European defence is that of its enormous costs and thus of its incompatibility with the European welfare state. These arguments fail to take into consideration the fact that the dimensions of American military expenditure (which is taken as a point reference) are determined by the United States' situation as a single superpower that is striving to respond to the problem of global governance through the strengthening of its own hegemony. Instead, for the purposes of a policy of world unification, which a federal Europe would be equipped to conduct, there would be no need to increase military spending. One need only consider the enormous waste generated by the current national division of military expenditure, the lack of standardised

equipment, the dispersion and duplication of research, the excessive quantity of personnel, and the low level of investment. The extent of this waste is such that, as things presently stand, we Europeans would have to spend six times what the Americans spend in order to produce a comparable military capability. *The creation of federal armed forces would allow huge savings, and thus permit the level of military efficiency needed to carry out all the security tasks that it falls to the EU to perform, without increasing (and possibly even decreasing) the current level of total European expenditure.*

What has been said above should serve to clarify the question of the relationship between European defence and NATO (and, in more general terms, between Europe and the USA). It is clear that the autonomy in the sphere of defence that would be acquired by a federal Europe with a single defence system would automatically mean an end to the USA's protectorate over Europe and lead to a transformation of the Atlantic Alliance into a genuine partnership of equals: a partnership that would be able to act as the core and driving force of a policy of global unification. In fact, Europe's dragging of its heels over the need to construct the European pillar of the transatlantic partnership is a key factor favouring American imperial strategy: indeed, America is now deliberately boycotting European unification and thereby undermining solidarity between the two sides of Atlantic.

Finally, a comment is needed on the critical relationship between the intergovernmental approach to defence and the European democratic process. Here, there exists an insurmountable contradiction. In order to avoid exacerbating the democratic deficit that characterises European integration, strict democratic control of the national parliaments, with regard to the behaviour of the national representatives in defence cooperation organisations, must be exercised. However, this only makes the achievement of consensus more difficult, given that the national parliaments are not responsible for pursuing the common European interest. On the other hand, intergovernmental cooperation can reduce its own structural and decision-making inefficiency only by more or less openly distancing itself from national democratic controls. Hence, in Europe, only a full parliamentary federation can reconcile decision-making efficiency with democratic control.

*Sergio Pistone*

## FOR AN ALTERNATIVE STRATEGY: A FEDERAL CORE IN A EUROPE OF CONCENTRIC CIRCLES\*

### *Introduction.*

Like many of you I belong to that group of federalists who, a little more than ten years ago, once the ratifications of the Maastricht Treaty had been completed, began the Campaign for the European Constitution, which at the time was called Campaign for a European Constituent Assembly. As it has always happened in the federalist movement, we began with scepticism and resistance by the UEF and JEF of those days, who were reluctant to abandon a vaguer and weaker campaign for European democracy. Quite a few years and not a few efforts were needed to bring first the UEF and then JEF to officially adopt the Campaign for the European Constitution. However, I also belong to that group of federalists who in the last few years has been strongly critical of the Campaign for the European Constitution as it has developed after the Nice Summit and particularly around the work of the Convention on the future of Europe and of the Draft Constitution that it produced. Between three and four years ago a group of Italian federalists of the MFE, mainly in Pavia, Milan, Ferrara and in other cities of northern Italy, and some federalist friends in Germany and France, started to elaborate and propose an alternative strategy centred around the idea of a *federal core in a Europe of concentric circles* and have started a series of actions focused on an appeal for a European federal State addressed to the original founder countries.<sup>1</sup> In this report I would like to explain why we believe that the present strategy of the UEF — that, I am well aware of it, the Congress is going to reconfirm — represents the road to resignation and defeat, and why we believe instead that there is an alternative and potentially winning strategy, although it is an enormously difficult one.

### *The Illusions of the "Strategy of the Constitution."*

The strategy proposed to the Congress by the majority of the MFE and the UEF consists of two main points: 1) the request that the imminent Intergovernmental Conference — or, failing this, just those states that want to — adopt the Draft Constitution prepared by the Convention without distorting its contents; 2) the launch of a popular campaign to convene a new Convention, this time with a constituent mandate, to reach

a federal Constitution without right of veto in foreign and budget policies. Let us examine each of these points in detail.

The first request will reveal its inconsistency by itself in just a few weeks. It does not seem difficult to me to foresee that, if the Constitution is adopted in the next few weeks, this will happen with the unanimous agreement of all Member States in the Intergovernmental Conference. If the Intergovernmental Conference does not find an agreement on the points of the Draft Constitution that are still open, and on which the Conference in Rome failed last December, the Draft Constitution will remain a dead letter because it is inconceivable that some countries may decide to *break the Union* on the basis of such a weak text as the present. I am sure that a unanimous agreement will be found and, as can easily be foreseen, it will be found on a text further watered down from the already weak one proposed by the Convention. The issue in front of us is more general: how should federalists judge the process that led to the Constitution and the process that opens up with the Constitution?

The request for a Constituent Assembly and for a federal Constitution represents an essential part of the very identity of the federalists who belong to the tradition of Altiero Spinelli and has been at the basis of the campaigns of the federalists since the beginning. It is therefore understandable that when the European Council in Laeken in 2000 decided to convene a Convention to prepare a Constitution for the European Union, the federalists welcomed the decision with hope and enthusiasm. It is however less understandable that the majority of them then remained entirely imprisoned by the rhetoric that developed around the Convention — and to a large extent made it their own — losing sight of *why* the federalists demanded a European Constitution and *what* they meant by this request. In the Western political tradition a Constitution is the act that seals the *birth of a new State* or a *regime change* in an existing State (from monarchy to republic, from parliamentary republic to presidential republic, etc.). There have been and there are States without a constitution, but a *constitution without a State* does not exist and never has. Since the very beginning federalists demanded a European Constitution because it was identified with the *foundation* of the European federal State.<sup>2</sup> As such it should have sanctioned the *sovereignty* of the new State, set out a democratic institutional structure for it, transfer to it the necessary powers for it to function internally and internationally, and defined the relationships between the central level and the Member States with the proper structure of a federal system. The Draft Constitution proposed by the Convention on the future of Europe, and more generally the process that

the Convention expresses simply have nothing to do with all this.

We are not denying here that the Constitution has some positive features: the abolishing of the division of the Union into different pillars, the introduction of the Charter of Fundamental Rights, the extension of legislative co-decision and of the majority vote to the area of internal affairs and justice policy, the creation of a European Foreign Affairs Minister, etc.. If we judge all these from the point of view of the improvement of the existing treaties, they are undeniably steps forward, some even quite significant. If instead we judge all this with respect to the challenges that Europe is facing and in view of Europe's progress towards a European Federation, all these modifications are absolutely irrelevant. Europe is facing enormously important challenges: the enlargement of the Union to 25 Member States and the prospect of further enlargements to 30 or more countries, even perhaps including Turkey, the deterioration of the world order and the increasing marginalisation of Europe in matters of war and peace, the increasing threat of international terrorism, the difficulties of the Stability Pact that cast dark shadows on the very future of the single currency, the stagnation of European industry and the difficulties in reforming the European social model, the growth of Euroscepticism in many countries as a result of a Union that is increasingly more difficult for common citizens to understand. Many, even among federalists, do not perceive these challenges as being dramatic and urgent. Many not only appear not to see the decline of Europe, but often even paint a picture of a flourishing Europe, that will be the true winner of the Iraqi crisis (sic!), in the midst of a newly found technological leap (the Galileo project), that is beginning to act with troops outside Europe (the small contingents in Macedonia). They sadly remind us of the philosopher Pangloss of Voltaire's *Candide*, for whom "this is the best of all possible worlds, [...] any particular ills only make up the general good, so that the more individual misfortunes there are the more the world fares well."<sup>3</sup> But those who instead feel that the challenges that Europe is facing are urgent and vital cannot but admit that the Constitution does not even scratch the surface of the serious problems that Europe is facing. Even with this Constitution the Union will not in fact change its nature as an organisation in which the power finally rests in the hands of the Member States: the Union will remain without its own foreign and security policy, without the ability to govern its economy, without a democratic government expressed by the will of its citizens and able to execute its own decisions. Just as an example: if, once the Constitution is ratified, we were to find ourselves in the situation of one year ago — the American decision

to wage war against Iraq, the deep division between the European States, the striking inexistence of the Union — today the Union, and its new Minister of Foreign Affairs, would react in exactly the same manner as one year ago: they would be forced to realise that the Member States have profoundly different views of the relationship between Europe and the United States, that Member States continue to control their own foreign and defence policy, or rather that little that remains of it, and that the Union has neither the ability nor the resources for acting, either for war, or for peace.

Many federalists recognise these limits, but they justify them in light of the alleged *evolutionary potential* of the Constitution. The Constitution, so they say, would create a new framework in which the battle for a European federal State may be conducted from a more advanced stage. They often mention a symbolic value of the very word Constitution and of the Charter of Fundamental Rights (that would lead European citizens to start thinking of Europe as a political community). They refer to the European Minister of Foreign Affairs (who would supposedly create a gradual convergence of foreign and defence policies and in this way would lay the basis for a single European policy), the instrument of the popular petition (that would allow for a popular initiative towards a new constituent Convention) and the possibility of enhanced cooperation (that would allow groups of States to advance in the field of foreign and security policy). According to this view, the federalist battle would shift to *within* the Constitution: improving something that already exists, it is affirmed, should be easier than creating something anew. If we take our eyes off the text of the Constitution, and look instead to the reality of Europe, outside of the Brussels institutions, it is difficult to escape the feeling that all these are only poorly founded hopes. The alleged evolutionary possibilities of the text of the Constitution cannot be considered in abstract, but in light of the *reality* of Europe to which the Constitution refers. Let's see then what the reality of Europe is, the facts, not what it says on paper in the Charter of the Draft Constitution.

The European Union has now got 25 Member States, and in a few years' time it will have 28-30 of them. They no longer have a shared vision of their past not to mention a vision of their future. There is no longer a shared past, because subsequent enlargements to new members have progressively weakened the force and the significance of the initial pact agreed at the foundation of the first European Community, "the first conventions of the European Federation" evoked by the Schuman Declaration. There is no shared vision of the present and future of Europe

either. Twelve Member States have adopted the single currency, whilst some countries (Britain, Sweden and Denmark) refuse to. Some Member States participate in the Schengen agreement and others do not and do not intend to do so. Some Member States (around France and Germany) believe that the Union should have an autonomous position on the international stage, whilst others (Britain, and various new Member States) believe that it should always go along with the United States. Some Member States (again around France and Germany) believe that the Union must sooner or later evolve towards political unity, whilst others consider it to be simply a form of international integration. It is undeniable that the enlargement to new countries has made the balance of power shift in favour of the latter. It is no coincidence that enlargement has represented the priority of the European policy of Great Britain ever since Margaret Thatcher. Today for many Member States the prospect of the transformation of the Union into a Federal State, if this was ever to happen, is inconceivable. It is a structural situation, which is the result of positions that are deeply rooted in a large part of the political class and in the public opinion of these countries. The Constitution reflects and seals this situation of division. The Union — far from having completed an important step that has a wealth of potential on the road to its federal unification — has in reality set off on the road of being transformed into a sort of *European United Nations*.

Let us now look at the second request that forms the basis of the *strategy of the Constitution*: a popular mobilisation to lay claim to a new Convention (this time a *constituent* one) by 2008. At the basis of this request is the conviction that the national governments are by now only an obstacle to the construction of Europe, that therefore a popular mobilisation is necessary to *impose Europe* on the governments, and that the instrument that makes this possible is popular action for the convocation of a new Convention, this time with a constituent mandate, to amend the present Constitution in a federal direction. All this is often portrayed as the logical continuation of the traditional constituent strategy of the federalists who belong to the tradition of Altiero Spinelli and Mario Albertini. In reality it is only a kind of *vulgate* of these principles that, more or less consciously, entirely distorts its meaning and use. By *constituent strategy* the federalists always meant to show that the unification of Europe will not happen on its own as an almost automatic result of gradual economic integration, but that it requires a specific constituent act, a *founding act*. It requires a demonstration of will by States and citizens that decide to yield part of their sovereignty and put it into a new

State. In this process governments are “an instrument and an obstacle,” as Altiero Spinelli used to say: an obstacle because naturally they are reluctant to yield their own national power, but also an indispensable instrument because they remain the final holders of this power and of the legitimacy of its use in relation to their citizens. In this process, the Constituent Assembly is the instrument through which those governments — and only those — that *have decided* to give life to the federation, or are at least willing to concretely examine the possibility of going along this road (that is to say sharing their sovereignty), can carry out and shape their decisions thanks to the force of democratic public debate and the political dynamics that would be established within it, contrary to diplomatic conferences, that would run every plan into the dry shores of counterposing national interests.<sup>4</sup> What is proposed today with the *strategy of the Constitution* has however nothing to do with all this. Those who maintain that national governments are now simply obstacles, enemies of the unity of Europe, and that the Constituent Assembly would make a Europe *without and against* governments, are renouncing the difficult struggle with the complexity of power and are simply descending into movementism and demagoguery. Those who maintain that convening a new Convention with representatives of all the Member States of the Union would lead to a federal Constitution for the Union, are confusing constituent strategy for assemblyism.

The Convention on the future of Europe that has been working over the last year has not led to the European Federation not due to lack of courage, or because there was no Spinelli in its ranks, or because the federalists were not able to exercise sufficient pressure. It did not do so simply because it could not: it was an instrument of the Union, a divided Union whose Member States — and I emphasise, *all* Member States — had absolutely no intention of turning into a federation. Even if the Convention had wanted to, it could not found the European Federation simply because it did not have the power to do so: the Convention could, and probably did so as best it could, elaborate a Constitution for the Europe that exists today (a divided Union with 25 members), but it could not elaborate a Constitution for a federation that does not yet exist and that nobody has decided to create. All this will only repeat itself with any new Convention which is set up within the framework of the Union. It goes without saying that there can be no “constituent” Convention between States that have no intention of constituting any new entity and that instead are, in a large majority of cases, opposed to such a prospect. Two, three, even ten subsequent Conventions will clash with the same contra-

dictions: Europe in fact does not find itself simply faced with a problem of *method* with which to reach political unity, but above all faces a problem of *framework* in which this is possible to achieve. For this reason the *strategy of the Constitution* — and every federalist initiative that assumes the Union will evolve as a single subject towards a federation — is set for defeat.

### *The “Strategy of the Federal Core”.*

The reason for these criticisms of mine is not to call for an opposition to the adoption or ratification of the Constitution. We have a much more difficult challenge. Giscard d’Estaing years ago had proposed the differentiation between Europe as a space (*Europe-espace*) and Europe as a power (*Europe-puissance*), complaining that the European leaders always privilege the former over the construction of the latter.<sup>5</sup> The Draft Constitution deals with the problem of Europe as a *space*, creating a continental institutional framework for 25-30 countries that surely do want to manage their own *integration*, even if they are not prepared to go down the road of their own federal *unification*. In this light the Constitution has an important function of its own to play. However it provides no answers to the problem of Europe as a *power*. This is the problem that needs to be tackled after the Constitution.

As I have tried to show, if the European Union, with its 25 Member States and in a few years’ time 28-30 Member States, is structurally incapable of evolving towards a federation (in the true sense of a federal State), the inescapable conclusion is that the only possible alternative is that of a “Europe of concentric circles,” to use an expression coined at the time of the reflections on the creation of the Euro and one that is dear to Jacques Delors.<sup>6</sup> In other words it is necessary to preserve the Union as a framework of a continental integration that is geographically broad but politically weak, but at the same time create within it a hard core that acts as a “magnet” for the other countries, as Wolfgang Schäuble and Karl Lamers had already called for in 1994.<sup>7</sup> A “vanguard” of countries, “inside or outside of the Union Treaties”, as Joschka Fischer evoked in his speech to Humboldt University in 2000,<sup>8</sup> should go ahead and found the first core of a federal state open to any other countries if these want to adhere to it. This would create, in the words of Valéry Giscard d’Estaing a “federation in the confederation of the greater Europe”<sup>9</sup> that would allow the need for enlargement (and of further enlargements in the next few years, until the Union includes also Turkey) to be reconciled

with the need for political unification. In this light France and Germany, along with the other founding countries of the first Communities, have a special responsibility, due to their history and to the more favourable attitude of their political classes and public opinion.

Various objections are made to the perspective and strategy of the federal core. Allow me to examine just the main ones — and excuse me for the inevitable simplification — hoping that such examination helps to explain the features of the action that we are proposing. The first objection is that the strategy of the federal core would place the federalists entirely *outside of the political process* and it would confine their actions to simple acts of testimony. We would give up trying to exploit the real contradictions of the Europe that exists, so we are accused, and we would confine ourselves to declamating the Europe that we would like to see. It seems to me that an objection of this kind is founded on a questionable conception of the *political process* to which we are referring. It is clear that today, by pursuing the *strategy of the Constitution*, it is easier to talk with the political class, to participate in the official debate on Europe, to exploit the space for communication and action that the official Europe offers. The same would have happened ten years ago if instead of launching the campaign for the European Constitution we had occupied ourselves with the reforms discussed in the various intergovernmental Conferences. Or, looking further back in time, it would have been the same if in the Fifties the federalists had elected to be part of the process of the construction of the Common Market instead of laying the organisational and political bases with which to relaunch the construction of European unity through a constitutional process. This would not have meant, and would still not mean today, *staying in the process*, but simply accepting the status quo. In order to promote change it is often necessary to work at unhinging the certainties of the political class and the official pro-Europeans and to create the basis for a new process.

The second objection is that a federal core is not desirable because it would divide Europe, it would discriminate between first division States and second division States. It would perhaps create a federation between a few States of Europe, so it is said, but would not resolve the problem of how to create a federation for the whole of Europe. This objection is based on a misunderstanding and on a myth. The misunderstanding is that federal core is intended to mean a closed and exclusive core, whilst instead we are all calling for an *open and inclusive core* aimed at extending to new countries when these demand it. The myth is that Europe today is already in some way united and that therefore an initiative

for a preliminary core of a European federal state would divide it. In reality the very opposite is true. The Europe of today is a divided Europe and the present Constitution seals this division, whilst the start of a federal core would establish a space for unity in an area where this is possible today and would create the condition for greater unity in the near future when other countries want to join. This is what happened with the creation of the Euro. Sometimes it is necessary to split up in order to be able to reunite more solidly. If a group of countries were to decide to create the first core of a European federal state, it is easy to see that it would immediately attract many other countries, starting from those that are part of the single currency and that therefore most strongly feel the need for a political union. Those who believe that a federation is necessary and urgent and that the Union of today cannot transform itself into a federation must admit that someone has to start. Those who do not accept this perspective actually renounce the very aim of the European Federation and are reduced to hoping that the internal and international challenges do not put the whole European construction into crisis and that the Union can therefore allow itself to carry on for ever in an institutional process of slow, gradual and endless improvement involving all its Member States.

The third objection, this time by those who in some way admit that the European Federation cannot be built with all the 25-30 Member States from the start (and above all not with Britain), is that an act of rupture would be easier within the Constitution than outside of it, because it would shift responsibility for the rupture onto the Member States that disagree and would give those States that are favourable to it *the force of the law*. This objection does not account for the fact that if a group of States that are in favour of giving life to a European federal state is to emerge, considering the conditions of the Union today, such a group will most probably be a minority and not a majority, and in the context of the Union it would succumb before the resistance of those who oppose it. Experience shows that any initiative that tries to use the instruments of the Union in reality becomes an instrument of it, because favourable forces become discouraged and retrace their steps and the power of interdiction of those countries that are against prevails. In the framework of the Union even the simple *enhanced cooperation*, provided for by the Nice Treaty and reconfirmed in the Draft Constitution, become almost impossible to start off (at least in important political fields) and are condemned to remain intergovernmental (as the very name *cooperation* suggests, if somebody had any doubt). Some raise the issue that Europe will never

have two parliaments, two governments, etc.. This seems to me somehow a secondary issue. One cannot foresee the entire process of the formation of the first core of a European Federal State. It is possible that from the start it may attract quite a considerable number of Member States of the Union and that it may rapidly lead to a situation where the institutions of the Union are *absorbed* by those of the federal state, and, from the institutional point of view, therefore one needs only to tackle the problem of the relationship with countries that do not participate (as in the case of the creation of the Euro). But it is also possible, and perhaps more probable, that in the initial period the core includes or extends only to a few countries, foreseeably those that have adopted the Euro, and that therefore it is necessary to think about the co-existence between the institutions of the Union and those of the federation, just as decades ago it was necessary to think about the institutions of the Community in parallel with the institutions of the Council of Europe. At that point, the problem will not be insurmountable.

The fourth objection is that an appeal to the Heads of State and Government — like the one tested with the action-postcards used in the last few years by those proposing the *strategy of the federal core* — would consider national governments as the only participants in the process, to the exclusion of citizens, parties, and organisations and that this would repudiate the traditional and historical constituent strategy of the federalists. The exact opposite is true. The appeal truly wants to be an instrument of popular action, it wants to give citizens, local politicians, civil society associations, local authorities, etc. an instrument with which to make their own voices heard by their Heads of State and Government. The recall to the European federal state, and the emphasis on statehood and sovereignty, serve precisely to remind the political class and the citizens about the magnitude of the challenge that Europe is facing and of the choices that need to be made, thus saving the essential trait of federalism in the tradition of Altiero Spinelli and Mario Albertini against the dangers of slipping towards what us federalists once used to call “Europeanism.” The *strategy of the federal core*, far from being an abandonment of the constituent strategy, removes it from the framework in which proposing it becomes almost farcical (the idea of the constituent Convention of the Union of today) and re-proposes it where this becomes a serious strategic instrument (the Constituent Assembly for those countries that have decided to give life to the federation or at least to take it into consideration), giving it back the meaning that was its own since the start.<sup>10</sup>

The fifth objection is that any reference to the six founding countries is arbitrary and reflects a view of European unification that belongs to the past. It is also maintained that the founding countries are themselves divided, with the governments of Italy and the Netherlands having positions that if not Eurosceptic are certainly not federalist. It must be clarified first of all that when we make an appeal to the six founding countries we don’t think that these must necessarily be the only ones to form the first core, forcibly excluding the others, but we intend simply to identify a framework in which such an initiative can *start from* and to make a strong symbolic appeal to those countries that, for objective historical reasons, have more responsibility than others in the process of European construction. It is true to say that the propulsive force of the founding countries has weakened, and that their present influence on the direction of the enlarged Union is diminishing, and is true that Euroscepticism is also growing within them, something that would have been inconceivable only a few years ago. This is in itself a sign of the decline of the process of European integration. But it is also true that the founding countries are the only countries in which the trace of the initial meaning of the creation of Europe is still present in a profound way and in which the disposition towards Europe of the political class, the economic and social parties and the citizens as a whole is still such that, if the choice to create a European federal state were to be present, it would find the necessary consensus. This is inconceivable in countries like Britain or Sweden or the majority of the new member States. It is also difficult to think that potentially favourable countries such as Spain, Greece or Austria, that would probably join an initiative for a federal core, would be among its initial promoters. It is in fact easier to imagine that, if involved in the initial phase, they would represent the doubts and objections of the classic “lukewarm supporters.” It is no coincidence that the founding countries were the driving force of every initiative that advanced the process of European unification and, likewise, even over the last year, during the war on Iraq, France, Germany, Belgium and Luxemburg were the only ones to represent the hope of unity and independence of Europe.

#### *The Role of the Federalists.*

The road that I have described — I am well aware — is enormously difficult. Nevertheless it represents a possibility and a hope. The fundamental question of today is whether there is still a part of the European

people — a part of the countries, of the political classes, of the citizens — that are potentially in favour of the foundation of the European federal state. It is possible that the answer to this question is no. It is tragically possible that the decline of Europe, the lassitude of the political classes, the indifference of the citizens, the force of inertia of the existing institutions, are now such that the idea of the European Federation is disappearing from the political perspective of Europeans. But if there is still even a weak glimmer of hope that things do not remain like this, it is to be entrusted to the possibility of the initiative of a group of countries in the terms that I have described. This is where the federalists come into play.

Federalist organisations have little power. They constitute a small movement. Nevertheless they have a great heritage of credibility and a capacity for action that can prove to be decisive at moments when opportunities emerge. We should admit that federalist organisations have some serious responsibilities for the fact that the window of opportunity that opened up with the debate that sprung from Joschka Fischer's speech in 2000 has closed. At that time Germany had made a proposal to France, that had not been accepted. The federalists, unfortunately, were incapable of concentrating all their energies on the proposals of Fischer and to throw them to the political classes of their own countries, even when these positions had been forgotten or even renounced by their very proponents.

Such responsibility weighs down heavily on federalists for the future. If in the next few years the Constitution is adopted and then ratified, the Union will find itself again searching for a solution to the unresolved challenges before it. If the Constitution is met with non-ratification in a few countries (especially important countries), a serious crisis could open up. In both the cases the only evolutionary response would be that of an initiative for a federal core. Only we can make these ideas circulate among governments, the political class as a whole, citizens and civil society organisations, to create the conditions in which, when the opportunity to take an initiative for a federal core presents itself, it will be taken and consensus will be found.

I know that this Congress will approve the continuation of the *strategy of the Constitution* by a large majority. We feel nevertheless that it is a losing strategy, which is wasting militant energy and the heritage of credibility that federalist movements still have. For this reason the federalists who believe in the *strategy of the federal core* will continue their own action and invite all the member and sections of the UEF that do not want to give in to resignation and defeat, to unite in such action,

waiting for the day when, we hope, the force of events will lead all of us to being united once again.

Paolo Vacca

## NOTES

\* This text is the re-elaboration of the transcript of the report to the UEF Congress and therefore maintains its predominantly oral character.

<sup>1</sup> For an exposition of the positions of the group of federalists of the MFE who adhere to the *strategy of the federal core* see in particular some of the recent writings of Francesco Rossolillo ("A Call for the Creation of a Federal Core", in *The Federalist*, XLII (2000), no. 2; "A Federal Constitution for Europe", in *The Federalist*, XLII (2000), no. 3; "For a Federal Pact among Europe's Founder Member States", in *The Federalist*, XLV (2003), no. 2) and the Internet sites [www.euraction.org](http://www.euraction.org) and [www.alternativaeuropea.org](http://www.alternativaeuropea.org) that explain the positions and actions of the group.

<sup>2</sup> The identification made between Constituent Assembly and foundation of the European State is so pivotal to the strategy and action of the federalists who belong to the tradition of Altiero Spinelli and Mario Albertini that there is little sense in giving bibliographical references because this identification in reality permeates the strategic texts and campaigns of the federalists from their beginnings and until very recently. Among the "historical texts" of Altiero Spinelli and Mario Albertini on this subject we can anyway mention some of those from the beginnings of federalist action, for example Altiero Spinelli, "Il modello costituzionale americano e i tentativi di unità europea", in Luciano Bolis (edited by), *La nascita degli Stati Uniti d'America*, 1957, republished in Mario Albertini, *Il Federalismo*, Bologna, Il Mulino, 1993; Id. "La strategia costituente. Rapporto al Consiglio dei popoli d'Europa", 21 November 1950, in L. Levi-S. Pistone, *Trent'anni di vita del Movimento federalista europeo*, Milan, Franco Angeli, 1973, republished in *La Costituente e il popolo europeo*, Quaderni del Dibattito federalista, 2002, no. 7; Mario Alberini, "La crisi di orientamento politico del federalismo europeo", in *Il Federalista*, III (1961), republished in Id., *Una rivoluzione pacifica. Dalle nazioni all'Europa*, Bologna, Il Mulino, 1999 and, for a reprise of the same concepts in the political phase opened up by the Maastricht Treaty: Mario Albertini, "L'Europa dopo Maastricht: gli aspetti politici", in *Il Politico*, 1994, republished in Id., *Una rivoluzione pacifica*, cit.

<sup>3</sup> Voltaire, *Candide or optimism*.

<sup>4</sup> Altiero Spinelli in "La strategia costituente. Rapporto al Consiglio dei popoli d'Europa", cit., affirmed: "In order to reach the stage of a constitution for a European government one cannot start from the premise that all the European States must be ready to consent to it today. That would mean not wanting to do anything about it. If we want to arrive at the formation of a preliminary federal core capable of subsequently attracting the other democratic countries of Europe, we need to turn, certainly, to all the States, but we must be prepared to start marching with those who are prepared to do so."

<sup>5</sup> Valéry Giscard d'Estaing, "Manifeste pour une nouvelle Europe fédérative", in *Revue des Affaires européennes*, RAE No.1/95, 11 January, 1995.

<sup>6</sup> The term was coined in the Tindemans Report in 1975 and then repropounded many times, particularly by Jacques Delors, over the course of the debate on the creation of the



single European currency. For a recent re-elaboration by Delors himself, see for example the article “Ma vision d’une fédération des Etats-nations”, in *Le Monde des Débats*, July 2000 or “L’avant garde en tant que moteur de l’intégration européenne”, Intervention at the International Forum of the Bertelsmann Foundation, Berlin, 19-20 January 2001.

<sup>7</sup> Wolfgang Schäuble and Karl Lamers, “Reflections on European policy”, CDU/CSU Parliamentary group in the Bundestag, Documents on European policy, No.1895/96, 7-9-1994.

<sup>8</sup> Joschka Fischer, “From confederacy to federation. Reflections on the aim of European integration”, Speech at the Humboldt University, Berlin, 12 May 2000.

<sup>9</sup> Valéry Giscard d’Estaing, Intervention at the National Assembly in occasion of the ratification of The Nice Treaty, 12 June 2001.

<sup>10</sup> For the concept of a “constituent assembly of the willing” see the essay by Altiero Spinelli “La strategia costituente. Rapporto al Consiglio dei popoli d’Europa”, *cit.*, where Spinelli warned: “what is needed is that the States prepared to adhere to the principle of the partial limitation of sovereignty — and only those— agree to convene an appropriate European Assembly for the drawing up of the Federal Union Pact,” and used to recall that the Schuman Plan itself had “been proposed to all the countries of Western Europe, but research towards it was started despite the absence of Britain and the Scandinavian countries.” For a re-proposition of these concepts in the present political phase, and for a distinction between the moment of the *pactum unionis* and that of the *pactum constitutionis*, see Francesco Rossolillo, “For a Federal Pact among Europe’s Founder Member States”, *cit.*

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