

# THE FEDERALIST

a political review

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

Hamilton, The Federalist



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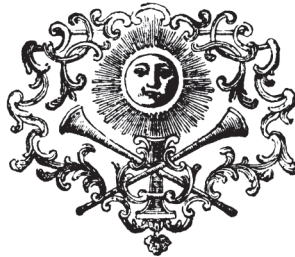
YEAR LXIV, 2022

# THE FEDERALIST

a political review

*Editor:* Giulia 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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## **The EU's Race Against Time and Italy's Responsibilities**

July 20, 2022, the day on which Italy's Draghi-led government collapsed, could well go down as one of those key dates remembered for marking a drastic change in the course of a political process. The Italian government crisis is not just a national issue, but one that will also have repercussions on the European Union and on Western democracies as a whole.

Italy is an important country in the European framework, and therefore also on the international stage, as the country's experience under Draghi has clearly shown. Thanks to the rush of responsibility felt by the various political forces in Italy that agreed to support the national unity agreement proposed by the President of the Republic — the far left and Fratelli d'Italia were the only ones that refused —, and also to Draghi's authoritativeness and expertise, Italy has not only achieved very important results on the domestic front (examples include its vaccination campaign and approach to the pandemic, its economic recovery — the country's growth is among the highest in Europe and internationally —, the social support policies introduced, the start of energy diversification, and the work done to realise the National Recovery and Resilience Plan), but also played a leading role in Europe and internationally. Draghi was the USA's main interlocutor in Europe on the issue of the policy of support for Ukraine, and accordingly was a key supporter of Ukraine's successful bid to become an EU candidate member state. Within the EU, Draghi, together with Macron, led the alignment of countries committed to building a strong and cohesive Europe endowed with its own strategic independence, working to this end on a series of proposals in a range of crucial areas (from energy to defence and reform of European public finance), and supporting efforts to bring about Treaty reform (from the Conference on the Future of Europe to the European Parliament's call for a Convention pursuant to Article 48 TEU with the objective, repeatedly stated, of modifying, in a federal sense, the European political-institutional system).

The bringing down of the Draghi government has therefore plunged Italy into choppy and uncertain waters, but, more important still, it has deprived Europe of a source of decisive leadership, halting the process of EU strengthening that is so crucial to success in the clash (now heightened and made dramatically inevitable by Putin's aggression against Ukraine) between liberal democracies and autocracies.

\* \* \*

Russia's war against Ukraine, by deteriorating relations between the West and the world's autocracies to a point where they cannot be remedied through dialogue, has raised many question marks over the future of Europe, which has been forced to acknowledge its vulnerability and lack of adequate means of defence. Had it not been for the Ukrainians bravely and resolutely resisting Russia's aggression themselves, bolstered by external support from NATO, guaranteed in particular by America's committed stance, there is no doubt that several EU member states under direct threat from Moscow would also have been dragged into the conflict.

In this framework, as in the past, the Europeans find themselves dependent for their security on the USA. This time, however, this external source of support is itself influenced by an internal political situation whose evolution is difficult to predict, and, moreover, this time war is actually unfolding in Europe. What is more, Europe's failure to build a political as well as a military union clearly exposes Europe as the "soft underbelly" of the Western front that American analysts and politicians have often claimed it to be.

The fact that the Europeans depend on their enemy to meet their vital energy needs, and through this dependence are actually funding their adversary handsomely, only goes to confirm all that has been said above. What is more, within the EU states, some sections of public opinion and of the ruling class actually sympathise with and actively support the enemy (by contrast, in Russia and China, such divisions do not exist, as any democratic opposition is promptly and easily silenced). A further consideration concerns the economic consequences of the war, which have rocked economies that had only just started picking up after the hits taken during the pandemic. In this regard, although the Europeans have a strong and influential currency, the absence of the necessary concomitant fiscal and economic instruments nevertheless leaves the euro exposed to the dangers associated with the fragility of some of its member states, namely, their excessive debt, since there are no adequate structural sup-

port instruments available to address their weaknesses; meanwhile, rising inflation is making it more difficult to exploit the European Central Bank's monetary policy lever, which in the past has proved decisive in saving the euro. Finally, even when they are required to be united and act as one, the European countries, in the framework of the EU, have to reckon with a decision-making structure that reflects their fragmentation and the absence of democratic and legitimate common sovereignty. As a result, all too often, their basis of reasoning is the sum of many weak national visions, rather than a strong vision developed by a great continental power. And in any case, they also lack the resources and adequate tools that would enable them to act.

Without detracting from the value of all that has been built in over seventy years of integration, what this snapshot shows is that the EU has too long wallowed in the false belief that the Single Market is the appropriate political response to the challenges of our time, and that it, combined with sound and scrupulous management of national finances and sound national governance, is enough to guarantee peace, ensure the success of our economic and social systems, and allow our democracies to thrive. The reality is that it has allowed threats, which we are completely ill-prepared to tackle, to expand dramatically around us. In this regard, one need only consider the indications contained in NATO's Strategic Concept compared with the EU's Strategic Compass. Both documents analyse in very similar terms the threats we face and the attacks we are at (high) risk of suffering, yet while one is able (thanks to the part played by the USA) to propose concrete solutions based on technological and military might, the other is like a construction site waiting to be built on, except that, for the moment, the tools needed to get the work started are missing. Real power in one case versus mere words in the other.

\* \* \*

From this description of the EU's situation, it is very clear to see why toppling those who were spearheading change in Europe could turn out to have been an ill-judged, indeed fatal, move. The creation of a federal political union in Europe is a reform crucially needed in order to strengthen the EU's international standing, as well as its ability to act authoritatively, both internally and externally, and to offer citizens and public opinion (often disheartened and disappointed by the weaknesses of national institutions and national policies) a farsighted and profound project through which to re-establish democratic politics and models.

In the context of the struggle between alternative systems, the fact that autocracy seems to be effective enough to have no trouble challenging the complexity and inclusiveness of democratic decision-making mechanisms obviously makes it crucial to strengthen the democratic system; and, given the evident structural weakness of national systems, it is clear, too, that democracy can only be revitalised through its full realisation at European level. There are, however, numerous obstacles to the evolution of the European institutional system that is necessary in order to achieve this, such as the inertia of Germany (a key European country that has long supported the existing system based on a large EU single market and is now struggling to change its economic and political outlook), the resistance of the so-called frugal EU countries and the northern European member states, and the desire, in Eastern Europe, to see a political weakening of the EU in favour of a return to a regime based on full sovereignty. The Franco-Italian alignment was the indispensable driving force for building the new Europe, and it has been stopped in its tracks. Considering that the war against Ukraine has exacerbated the threat to our democratic systems, making time a decisive factor, this abrupt halt is particularly perilous.

A further question mark is whether Italy can ever recover the role it was playing under Mario Draghi's premiership. This can happen, only if, on 25 September, there emerges a prevailing desire for continuity of the outgoing government's policies and experience, thereby opening the way for a new comprehensive national agreement and government of national unity. In theory, anything is possible, which means that, however unlikely, there is also a chance that, whoever wins, a sense of responsibility towards the national interest might nevertheless prevail together with an attachment to democratic values and freedoms that would be lost outside the European framework.

A miraculous return of Italy to the field might also be favoured by the now widely accepted realisation that Italy is not a country that can be governed "against" Europe, but only by working in synergy with its European partners and with the EU, and by respecting shared commitments; equally well established is the knowledge that if the choices and behaviours adopted at national level are irresponsible ones liable to deprive Italy of European protections, then the country faces only one possible destiny: irreversible crisis and bankruptcy. Even were the next government merely to support a weakening of the EU, thus changing the framework of our European alliances, this would not only seriously endanger the cohesion and stability of the EU itself, but also increase



the likelihood of a return to the paralysis and rigid budgetary control powers that are so damaging to the stability of Italy's entire economic-production system. Italy, therefore, has an important part of Europe's destiny in its hands, and also desperately needs a strong and cohesive Europe. Whoever is chosen to govern after 25 September cannot ignore this reality.

And yet, judging by the behaviour of the political forces that brought down Draghi in the Italian Senate on July 20, there appears to be no limit to the irresponsibility of a political class that has largely lost its sense of duty and its awareness of its task. The factions that have continued to believe in Draghi, and shown that they understand the country's true needs, as well as the necessity to put these needs before partisan interests, are currently in the minority and seem unable to formulate an electoral strategy up to the challenges of the present historical moment, not least due to the inconsistencies of a very poor electoral law. The others, new and old opponents of the national unity government, are basically divided between: the 5 Star Movement (M5S), which has for months promoted anti-NATO positions with regard to Italy's support for Ukraine, and is now seeking to return to its populist roots to avoid being swept off the political landscape; Salvini's League, which, like the M5S, has challenged Draghi on Ukraine and on key reforms linked to the National Recovery and Resilience Plan; Forza Italia, which repeatedly reiterates its attachment to the European EPP family, while at the same time, under Berlusconi's leadership, maintaining an ambiguous position towards Putin and continuing to climb on its old populist hobbyhorses; and finally, Fratelli d'Italia (FdI). This party, characterised by traditionally and consistently anti-European and sovereignist positions and open support for illiberal movements in Europe, has grown in strength during its opposition to the previous government and to its reforms and pro-European choices. Now, however, smelling a likely electoral victory with all the attendant responsibilities of government, it seems to have rediscovered Europeanism and respect for the constitutional system (albeit maintaining its presidentialist convictions) and understood the need to pick up the agenda of the previous government; it has also sought to establish its credentials with the American administration by confirming that its future government will have an Atlanticist orientation.

Is this volte-face by the party tipped to win the elections and lead the next government just a tactical move to avoid a perfect storm the moment it takes power? Or does it indicate, already, the beginning of a

dawning realisation that Draghi was right about everything, and therefore that opposing him, while electorally advantageous, was politically wrong? Can a future FdI-led government overcome the contradictions that have made its birth such a strong possibility? Or, alternatively, can the elections in Italy be won, by a margin great enough to immediately restore Italy's credibility, by a political alignment naturally in favour of pressing ahead with the agenda of the previous government? It would be good if all this could be properly debated, to make Italy's citizens aware of what is really at stake on 25 September.

*Pavia, 7 August 2022*

*The Federalist*

## The Return of War in Europe: One Year On

It is now a year since the start of Russia's aggression against Ukraine, and while the war continues to rage with extreme violence and brutality, and there remains no prospect of a truce, the reflections we published a year ago in this journal about the dangers this war poses for the European Union (in the introductory remarks to a text, in the *Documents* section, setting out the Treaty reforms needed to turn the EU into an effective political union built on a federal basis) continue to be valid and to constitute a warning that we simply cannot afford to ignore.

"Russia's aggression against Ukraine has opened a new chapter in European history. This brutal war looks set to be protracted: there seems to be little scope for a truce, and the Ukrainians will not cease to offer resistance — a resistance that we Europeans have a moral and political duty to support. This war is driven by a determination to stop the spread of Western values and their adoption by states that, until recent years, were far removed from the Western political and cultural model, being instead an integral part of the Soviet bloc that Russia is now striving to recreate as a geopolitical reality", we wrote a year ago, before making the following further considerations: "Ukraine's resistance has forced Europe and the USA, and much of the world with them, to react; it was not to be taken for granted and it has made all the difference. This, however, is just the start of a long war — a war for which we must be equipped, on all levels: economic and military, but above all political. And in this context, the ultimate battleground is that on which we will be fighting to conserve the strength of consensus and the unwavering support of public opinion.

It now falls to Europe to lead the free world, and it must do so not only because the enemy and the war are on its doorstep, but above all because of the superior contribution that Europe can make through the political and social model it offers. However, it is not our national democracies that can make the difference, rather the strength of our process of unification. The real enemy of autocracies, which are based on aggressive nationalism, tyranny and contempt for human life and freedom, is indeed this process, which must now be completed by returning

to the roots of the *Ventotene Manifesto*. The threat before us now is the same as it was then, and therefore the response must once again be worthy of the challenge: today, this means finally implementing reforms designed to give rise to a federal Europe. In other words, we must complete our unification by creating efficient institutional mechanisms that strengthen the convergence of our economic and geopolitical interests. Above all, we must politically defeat the scourge of nationalism, which has once again brought war to our continent, and we must do so by creating institutions that are immune to this affliction, and constitute an alternative model that may also be an example for the rest of the world.”

Our reason for reiterating these considerations here is that they offer useful criteria for taking stock of what Europe has managed to do thus far; and this, in turn, allows us to evaluate the (important) positive as well as the (too many) negative aspects of the situation before us.

One positive takeaway is the fact that the European Union has remained united in its support of Ukraine, and made some important steps, like freeing itself from its energy dependence on Russia; at the same time, however, it has not managed to make the forward leaps that are needed in relation to strategic sectors, such as foreign, security and defence policy, despite having previously proved able to mount a decisive response to the pandemic, in the form of the Next Generation EU package. Even though Europe faces a very real threat to its values, model, and security, and must also reckon with the further challenge of EU enlargement, the Union continues to be stuck midstream, seemingly unable to finally decide to create the political instruments of government at European level that it has to have in order to address the new problems of security, *tout court*, that can no longer be avoided.

For all these reasons, it remains significant that, a year ago, as Putin’s tanks were launching the attack and making for Kyiv, the Europeans were completing the work of the Conference on the Future of Europe. Discussions during this conference focused on the question of exactly how we should build our future as Europeans. The fact that this exercise in democratic participation (an experience increasingly driven by the aspiration that it might evolve into a constituent process) coincided with the return of war in Europe created a situation that has not only made it possible to channel widespread expectations and arouse new energies, but also lent considerable impetus to the European Parliament. Indeed, the Parliament is now taking serious steps to respond in a concrete way to the requests that came out of the Conference, both by calling for the launch of a Convention for Treaty reform, and by working on a report

setting out reform proposals that address the conclusions of the Conference and aim to change the legal and political nature of the EU.

Without this change — in a federal direction — the EU will remain a union of 27 sovereign states with 27 heads of state or government, based on a delicate balance between its various institutions that makes it incapable of taking charge of the security of continental Europe and also prevents it from being an institutional model that goes beyond the nation-state.

Just a few days ago (March 7, 2023), Martin Wolf, writing in the *Financial Times*, explained very clearly precisely why it is so necessary for the European Union to strengthen itself by equipping itself with federal institutions. If, in a world characterised by disorder, nationalism and conflicts between major powers, the Europeans want “to preserve their great experiment in peaceful relations, [then they] need to strengthen it for the storms.” The EU has three options: “Globally, it needs to decide whether it wishes to be an ally, a bridge or a power. So long as the USA remains a liberal democracy and committed to the western alliance, the EU is (...) most likely to be a subservient ally.” But this would make it difficult for it to act also as a bridge, even though this role “would come naturally to an entity committed to the ideal of a rules-governed order.” It would, indeed, be difficult “to be a bridge in a deeply divided world in which the EU is far closer to one side than the other.” The third option is “to seek to become a power of the old kind in its own right, with resources devoted to foreign and security policy commensurate with its scale. But for this to happen, the EU would need a far deeper political and also fiscal union.” Wolf concludes that “The more active and independent [the EU] wishes to be, the more crucial it will be to deepen its federalism.”

This is precisely the crossroads we are now at: to defend our model and retain our peace-making and stabilising function in the world, we have to become independent and turn ourselves into a “power”, albeit one pursuing positive ends. But to do that, we need to become a federal union, both politically and fiscally. Ultimately, what is at stake in this EU reform process put on the table by the Conference on the Future of Europe is our destiny and that of the whole world. May awareness of this fact drive us to fight every single step of the way in this complex but crucial phase.

(March 2023)

*The Federalist*

# The ECSC's Financial System and its Relevance Today\*

GIULIA ROSSOLILLO

## 1. Introduction.

The idea of endowing the European Coal and Steel Community and in particular its most important institution, the High Authority, with the power, acting independently of the member states, to procure the resources necessary to carry out its tasks first came to light just after the start of the conference that led to the drafting of the ECSC Treaty. It was then that Jean Monnet realised that granting the High Authority financial independence would not only prevent it from having to depend on contributions from the member states, but also enable it to access the credit market on advantageous terms, and use the funds it procured to guide investments in the general interest.<sup>1</sup>

The financial mechanism of the ECSC that stemmed from this insight is unique in the panorama of international organisations and illustrates the extremely advanced nature of this organisation, even compared with the current European Union. This nature emerged with particular clarity in the first years following the birth of the ECSC, before it was joined by the European Economic Community. Thereafter, the gravitational pull of the EEC,<sup>2</sup> an organisation with far broader aims

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\* A longer version of this contribution has already been published in A. Arena (ed.), *La prima assise di una comunità fra popoli: l'attualità della CECA a 70 anni dal trattato di Parigi*, Naples, 2022.

<sup>1</sup> J. Monnet, *Mémoires*, Paris, Arthème Fayard, 1976, p. 468: "Au cours de cet exposé du 21 juin, je développai un nouvel aspect de l'indépendance et de la force de la Haute Autorité: elle aurait ses ressources propres, grâce à un prélèvement sur les productions de charbon et d'acier, et ne dépendrait pas pour son fonctionnement et ses interventions des subsides des gouvernements. De plus, son crédit moral et financier ferait d'elle le meilleur emprunteur d'Europe. Par ses prêts, elle pourrait orienter les investissements dans l'intérêt général, sans pouvoir coercitif". On this point, cf. A. Zatti, *Le finanze della CECA: spunti e riflessioni per il futuro della UE*, in G. Rossolillo (ed.), *L'integrazione europea prima dei trattati di Roma*, Soveria Mannelli, Rubettino editore, 2019, p. 81.

<sup>2</sup> Moreover, it should be noted that the 1965 Merger Treaty (Treaty Establishing a Single Council and a Single Commission of the European Communities, of 8 April 1965, published in OJ 152, p. 2) replaced the various institutions of the ECSC, EEC and Eura-

than the ECSC, combined with a severe crisis in the coal and steel sector leading to declining revenue from levies,<sup>3</sup> led to a reduction of the High Authority's autonomy vis-à-vis the member states.

This analysis therefore focuses on those early years, namely the period between 1952 and 1957, in an attempt to draw from the past useful elements for interpreting the current phase in the process of European integration and ideas for a possible reform of the EU's funding system.

## 2. Levies: First European Taxes?

The ECSC's ability to fund itself by imposing levies on the production of coal and steel and by contracting loans, as envisaged by Article 49 of the ECSC Treaty,<sup>4</sup> was the clearest manifestation of the autonomy of the High Authority, and also the feature that distinguished the ECSC from other international organisations. Indeed, while the latter are typically financed by contributions from their member states, and therefore their very existence ultimately depends on the willingness of the latter to provide them with the economic resources necessary to carry out their tasks,<sup>5</sup> the ECSC could obtain part of its resources directly from companies (levies) and from its funders (loans).

The revolutionary character of this financial system<sup>6</sup> was underlined by commentators of the time, who defined the levies as the first ever European taxes (specifically the first indirect European taxes)<sup>7</sup> as they

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tom with a single Council and a single Commission.

<sup>3</sup> The crisis in the coal and steel sector led to a gradual lowering of the levy rate, which fell from 0.9 per cent in 1953 to 0.35 per cent in 1957.

<sup>4</sup> Article 49 reads "The High Authority is empowered to procure the funds it requires to carry out its tasks: – by imposing levies on the production of coal and steel; – by contracting loans. It may receive gifts". However, as we will see, borrowed funds can only be used to lend to businesses. <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:11951K:EN:PDF>.

<sup>5</sup> On the funding of international organisations, cf. G. Tesaro, *Il finanziamento delle organizzazioni internazionali*, Naples, Eugenio Jovene, 1969; N. Parisi, *Il finanziamento delle organizzazioni internazionali. Contributo allo studio delle forme della cooperazione intergovernativa*, Milan, Giuffrè, 1986.

<sup>6</sup> In this sense, cf. A. Rossignol, *Les finances de la C.E.C.A. et le développement financier des institutions européennes*, Revue du droit public et de la science politique en France et à l'étranger, 1954, p. 1019; F. Benvenuti, *Ordinamento della Comunità Europea del Carbonio e dell'Acciaio, Introduzione*, Padua, CEDAM, 1961, p. 17, even sees the existence of a fiscal power as a manifestation of the state-like nature of the ECSC.

<sup>7</sup> On this point, cf. A. Rossignol, *Les finances de la C.E.C.A.*, op. cit., p. 1019; N.P. Weides, *Das Finanzrecht der Europäischen Gemeinschaft für Kohle und Stahl*, Frankfurt-Berlin, A. Metzler, 1960, pp. 112 ff., who reconstructs the debate on the fiscal nature of the levies; G. Olmi, *Les ressources propres aux Communautés européennes*, Cahiers de droit européen, 1971, p. 387; P. Mioche, *Les cinquante années de l'Europe du charbon et de l'acier*, Luxembourg, Commission européenne, Office des publications, 2004, p. 71;

were compulsory, had neither colour nor country<sup>8</sup> — they could be used in the coal and the steel sectors and in any member state, regardless of its industrial production capacity<sup>9</sup> —, and were directly related to the ECSC's competences.

The most important aspect, though, was that the High Authority exercised its relative power over enterprises directly, without any intermediation by the member states.<sup>10</sup> In fact, the ECSC had a centralised treasury, and on the 25th day of each month the coal and steel companies were required to pay the sums due into the accounts held by the High Authority in the states in which they operated; loans were also paid directly into these accounts.<sup>11</sup>

The autonomy of the High Authority in relation to the collection of levies was further underlined by Article 50 of the ECSC Treaty, which gave it the faculty to impose surcharges of up to 5 per cent for each quarterly delay on enterprises that failed to comply with its decisions regarding levies, and also by the fact that any High Authority decisions imposing a pecuniary obligation were enforceable.<sup>12</sup> Further-

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A. De Feo, *Histoire des pouvoirs budgétaires et de la politique de l'Union européenne, Partie I: la Communauté européenne du charbon et de l'acier 1952-2002*, Archives historiques du Parlement européen, Centre Robert Schuman d'études avancées, Série sur l'histoire de l'Union européenne, Mars 2015, p. 17. For a critique of this reconstruction, see G. Tesaurò, *Il finanziamento delle organizzazioni internazionali*, op. cit., pp. 161 ff..

<sup>8</sup> This is the expression used by L. Monnory, Art. 49, in R. Quadri, R. Monaco, A. Trabucchi (directors), *Trattato istitutivo della Comunità Europea del Carbone e dell'Acciaio, Commentario*, vol. II. Art. 46-100, Milan, Giuffrè, 1970, p. 656. As noted by D. Strasser, *Le finanze dell'Europa, Commissione delle Comunità europee*, Collezione "Prospettive europee", Brussels, European Commission, Publications Office of the European Union, 1979, p. 76, over the years, this attribute of the levies, which fitted in with a logic of solidarity, had led to recriminations from industrialists in the steel sector, who resented the fact that more of the revenue was spent on the coal sector.

<sup>9</sup> As remarked by N.P. Weides, *Das Finanzrecht der Europäischen Gemeinschaft ...*, op. cit., p. 140, the fact that more than 50 per cent of the revenue from the levies came from the German coal and steel industry was therefore irrelevant.

<sup>10</sup> On the contrary, G. Tesaurò, *Il finanziamento delle organizzazioni internazionali*, op. cit., pp. 184 ff., maintains that the member states, not the High Authority, governed the entire taxation procedure.

<sup>11</sup> On this point, cf. A. Coppé, *La Communauté européenne du charbon et de l'acier*, in *Aspects financiers et fiscaux de l'intégration économique internationale*, Travaux de l'institut international de finances publiques, Session de Francfort, 1953, p. 180; D. Vignes, *La Communauté européenne du charbon et de l'acier*, Paris, 1956, pp. 93 ff.; A. Daussin, *Le régime financier des Communautés*, in W.J. Ganshof van Der Meersch (director), *Droit des Communautés européennes*, Brussels, Larquier, 1969, p. 476; L. Monnory, Art. 49, op. cit., pp. 662-663.

<sup>12</sup> According to Article 92 of the ECSC Treaty, "Decisions of the High Authority which impose a pecuniary obligation shall be enforceable. Enforcement in the territory of member states shall be carried out by means of the legal procedure in force in each state, after the order for enforcement in the form in use in the state in whose territory the



more, High Authority-appointed inspectors enjoyed “to the full extent required for the performance of their duties” the same powers as the member states’ own revenue officials.<sup>13</sup>

### 3. Loans and Other Forms of Funding.

In addition to empowering the High Authority to impose levies, Article 49 of the ECSC Treaty also provided that it could take out loans, and therefore become indebted. Whereas the levies were intended to cover various types of expenses listed in the Treaty, funds obtained by borrowing could only be used for the granting of loans (Art. 51).<sup>14</sup>

There was, however, a close link between these two categories of resources. Since the ECSC Treaty made no mention of the balanced budget principle,<sup>15</sup> the High Authority, in the first phase of its operations, was actually able to set a levy rate that, also thanks to its limited expenses at this time, exceeded its needs.

These surpluses gave rise to a guarantee fund that made borrowing

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decision is to be enforced has been appended to the decision, without other formality than verification of the authenticity of the decision. This formality shall be carried out at the instance of a minister designated for this purpose by each of the governments. Enforcement may be suspended only by a decision of the Court.” <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:11951K:EN:PDF>. To see how this element, too, contributes to the originality and the supranational character of the ECSC, cf. N. Parisi, *Il finanziamento delle organizzazioni internazionali...*, *op. cit.*, pp. 122 ff. For a position contrary to this view, cf. G. Tesauero, *Il finanziamento delle organizzazioni internazionali*, *op. cit.*, p. 206.

<sup>13</sup> Art. 86, ECSC Treaty.

<sup>14</sup> According to A. Potteau, *Recherches sur l'autonomie financière de l'Union européenne*, Paris, Dalloz, 2004, p. 94, a section of Article 95 of the ECSC Treaty (<https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:11951K:EN:PDF>) — “if [...] unforeseen difficulties emerging in the light of experience in the application of this Treaty, or fundamental economic or technical changes directly affecting the common market in coal and steel, make it necessary to adapt the rules for the High Authority’s exercise of its powers, appropriate amendments may be made; they must not, however, conflict with the provisions of Articles 2, 3 and 4 or interfere with the relationship between the powers of the High Authority and those of the other institutions of the Community” — could be understood to allow the High Authority, in the situations hypothesised, to resort to borrowing to finance the organisation. On this point, cf. K. Von Lindeiner-Wildau, *La supranationalité en tant que principe de droit*, Leiden, A.W. Sijthoff, 1970, p. 107, who maintains that this possibility of “minor revision” of the Treaty would be a manifestation of the constitutional autonomy of the ECSC and therefore of its supranationality.

<sup>15</sup> As remarked by A. Zatti, *Le finanze della CECA...*, *op. cit.*, p. 63, the absence of an explicit annual balanced budget rule (present, instead, in the Treaty establishing the EEC and in the current TFEU), while not translating into a real possibility of financing operating expenses through borrowing — the sums obtained as loans could only be used to grant loans —, nevertheless gave the High Authority a certain margin of discretion, allowing it to accumulate reserves by setting aside funds or anticipating revenues to meet economic needs or exceptional circumstances.

and lending operations possible and ensured that the ECSC was able to access the credit market on favourable terms.<sup>16</sup> In other words, it was the High Authority's ability to procure, with a high degree of autonomy, the resources necessary to carry out its tasks that lent the ECSC financial credibility, and thus allowed it to contract loans on advantageous terms.

In this way, coal and steel companies were enabled to access resources far greater than those they themselves paid in levies, and funding (loans) provided by the ECSC provided support, over the years, for post-war reconstruction, for the development of internal production, and for social and structural projects such as the construction of housing for workers and the creation of jobs in areas affected by the decline of the coal and steel industry.<sup>17</sup> In short, it was able to effectively support the common coal and steel market.

#### 4. *The Role of the Assembly and the Absence of a True ECSC Budget.*

One peculiar aspect of the financial system of the ECSC, which distinguishes this organisation from the member states and also the European Union, is undoubtedly the fact that the ECSC did not have a proper budget, that is, a unitary document showing its expenses and income on an annual basis.<sup>18</sup> In fact, a budget, or *état prévisionnel* in the French version of the Treaty,<sup>19</sup> was envisaged only for administrative expenses. In accordance with Article 78 of the ECSC Treaty, each institution of the Community was required, each year, to draw up estimates of its administrative expenses. These estimates were then consolidated in a preliminary draft administrative budget that had to be approved by a Committee consisting of the presidents of the Court, High Authority,

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<sup>16</sup> On this point, cf. D. Vignes, *La Communauté européenne du charbon et de l'acier*, *op. cit.*, p. 92; A. Zatti, *Le finanze della CECA...*, *op. cit.*, pp. 71 and 81. The guarantee fund, not provided for by the founding treaty, differs from the reserve fund (never set up in practice) that is referred to in article 51, par. 3, according to which "The High Authority may so determine its conditions for loans or guarantees as to enable a reserve fund to be built up for the sole purpose of reducing whatever amounts may have to be paid out of the levies in accordance with the third subparagraph of Article 50(1); the sums thus accumulated must not, however, be used for any form of lending to undertakings" (<https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:11951K:EN:PDF>).

<sup>17</sup> On this point, cf. A. Zatti, *Le finanze della CECA...*, *op. cit.*, pp. 81 ff..

<sup>18</sup> See, among others, A. Rossignol, *Les finances de la C.E.C.A. ...*, *op. cit.*, p. 989; D. Vignes, *La Communauté européenne du charbon et de l'acier*, *op. cit.*, pp. 88-89; A. Zatti, *Le finanze della CECA...*, *op. cit.*, p. 65.

<sup>19</sup> The use of the expression *état prévisionnel* rather than *budget* is highlighted by P. Reuter, *La Communauté européenne du charbon et de l'acier*, Paris, Librairie Générale de Droit et de Jurisprudence, 1953, p. 68, who links the failure to use the expression *budget* to an attitude of distrust towards the Assembly. On this point, cf. also A. Daussin, *Le régime financier des Communautés*, *op. cit.*, p. 473.

Assembly and Council, chaired by the President of the Court. This preliminary draft budget was then included in the general report on the activities and administrative expenditure of the Community published annually by the High Authority (Art. 17).

Expenses other than administrative expenses, on the other hand, were authorised directly by the High Authority without being included in the aforementioned budget.

The Committee of Presidents was therefore totally devoid of powers not only over expenditure other than administrative expenditure, but also in relation to revenue,<sup>20</sup> whose determination and management were left to the High Authority, albeit with the intervention of the Council when necessary.

But the main feature emerging from the above-described mechanism is the extremely limited role of the Common Assembly,<sup>21</sup> which during the approval of the preliminary draft administrative budget was represented solely by its president, and thereafter (i.e., once the budget had been approved) merely informed by the High Authority, through its report on the activities of the ECSC.<sup>22</sup>

This state of affairs can certainly be attributed to the fact that the ECSC's institutional structure was built around the High Authority, a body that was meant, by Jean Monnet and the drafters of the Treaty, to give impetus to the organisation and embody the supranational nature of the ECSC.<sup>23</sup> It should also be added that the Assembly, being made

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<sup>20</sup> On this point, cf. N.P. Weides, *Das Finanzrecht der Europäischen Gemeinschaft für Kohle und Stahl*, *op. cit.*, p. 144.

<sup>21</sup> According to A. Rossignol, *Les finances de la C.E.C.A.* ..., *op. cit.*, p. 996, assigning the Assembly a marginal role in this mechanism had the merit of avoiding lengthy discussions and also the risk of decision-making paralysis when approving the financial statements. On this point, see also F. Benvenuti, *Ordinamento della Comunità Europea...*, *op. cit.*, p. 17, who notes that citizens in the ECSC lacked the power of self-taxation, that is, the faculty to intervene through their own representatives in setting taxes.

<sup>22</sup> A. Daussin, *Les aspects budgétaires de l'intégration économique internationale*, in *Aspects financiers et fiscaux de l'intégration économique internationale*, *Travaux de l'institut international de finances publiques, Session de Francfort 1953*, p. 73, points out that had the Treaty of Paris provided for the Assembly to be called upon to rule on the draft budget, the Assembly's intervention would have been almost meaningless, since the budget only included administrative expenses. On the other hand, a posteriori approval of the financial management of the ECSC in the context of the High Authority's own report on its activities was not subject to this limit, since it concerned all categories of expenditure.

<sup>23</sup> A. Daussin, *Le régime...*, *op. cit.*, p. 472, maintains that in international organisations "il n'y a pas [...] cet élément politique prédominant qui fait du vote du budget national l'expression de la confiance du parlement à l'égard du gouvernement. Dans l'organisation internationale l'acte d'approbation du budget ne met pas en présence deux pouvoirs, mais bien des Etats d'une part et, de l'autre, une institution à laquelle ils ont

up of delegates from national parliaments, was not elected by direct universal suffrage, an aspect that weakened its ability to stand as a representative of European citizens.

However, it was not long before the Assembly started demanding greater powers.<sup>24</sup> In fact, in a resolution dated March 1953,<sup>25</sup> the Assembly complained about not enjoying the powers normally assigned to a parliament and asked to be sent the estimated expenses of all the organs of the ECSC ahead of the Committee of Presidents' annual ruling on the preliminary draft administrative budget. The following year, it proposed<sup>26</sup> that annual extraordinary annual constitutive sessions of the Common Assembly after the end of the financial year should thenceforth be held, ideally no later than four months after start of the new financial year so that the Assembly might be better able to exercise its supervisory powers. Along the same lines, in the December of that same year,<sup>27</sup> the Assembly, having ascertained that the ECSC Treaty did not exclude a right of control by the Common Assembly, and that such a right covered the use of the proceeds of the levies and of equalisations, called upon the High Authority "to take all necessary measures to enable parliamentary control of the use of its financial resources, and periodically inform the Committee for Accounting and Administration of the Community and the Common Assembly on the use of its resources and of intentions regarding its future use."<sup>28</sup>

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confié certaines tâches sur l'exécution desquelles ils entendent conserver un contrôle absolu". However, this consideration seems perfectly applicable to international organisations financed by contributions from member states, but less so to an organisation such as the ECSC, which, albeit within certain limits, had been given a margin of financial autonomy.

<sup>24</sup> On this point, cf. D. Vignes, *La Communauté européenne du charbon et de l'acier*, op. cit., pp. 88 and 91; A. Rossignol, *Les finances de la C.E.C.A. ...*, op. cit., p. 1019; G. Sperduti, *La C.E.C.A. - Ente sovranazionale*, Padua, 1966, pp. 57 ff.; C. Delon Desmolin, *Existe-t-il un droit budgétaire communautaire?*, in *Mélanges en hommage à Guy Isaac, 50 ans de droit communautaire*, Tome 2, Toulouse, Presse de l'Université de Toulouse, 2004, pp. 907 ff.; A. De Feo, *Histoire des pouvoirs budgétaires...*, op. cit., p. 25.

<sup>25</sup> *Résolution relative à la communication préalable à l'Assemblée Commune des projets d'états prévisionnels des autres institutions de la Communauté Européenne du Charbon et de l'Acier*, 11 mars 1953, in *Annuaire-Manuel de l'Assemblée Commune*, Luxembourg, 1956, p. 379.

<sup>26</sup> *Proposition de résolution relative à l'opportunité de prévoir une session constitutive de l'Assemblée Commune au début de l'exercice financier*, Journal officiel de la Communauté européenne du charbon et de l'acier, 9 Juin 1954, p. 404.

<sup>27</sup> *Journal officiel de la Communauté européenne du charbon et de l'acier*, 11 Décembre 1954, p. 530.

<sup>28</sup> As noted by H.L. Mason, *The European Coal and Steel Community*, The Hague, Springer Dordrecht, 1955, pp. 104-105, from 1954 the High Authority kept the Commissions into which the Assembly was divided constantly informed. The Assembly's rules of procedure (Articles 26 and 38) also provided that the Assembly could adopt resolutions addressed to the High Authority and that it could submit questions to the latter.

The question of the Assembly's powers of control was then addressed by the 1955 Teitgen Report<sup>29</sup> that, after highlighting the fundamental role of political control that the Assembly ought to exercise over a body, the High Authority, with only apparently technical functions, underlined the importance of budgetary control and acknowledged, with satisfaction, the will of the High Authority, expressed by Jean Monnet in June 1953, to keep the Assembly and the competent committees informed, in a timely manner, of the High Authority's general lines of action and projects, collect their observations, and declare the reasons for decisions taken.

From 1957 onwards, the Assembly, partly as a consequence of its harsh reaction to the High Authority's decision, in 1955, to reduce the levy rate after consulting the Council but failing to inform the Assembly, was always consulted by the High Authority on all decisions relating to levies.<sup>30</sup>

### 5. *The ECSC and the European Union Compared.*

Unlike the ECSC, the EEC (and today's EU) was founded on a model that leaves the supranational authority dependent on member states to provide it with sources of funding and define the procedure for determining its revenue.<sup>31</sup>

Indeed, the 1957 Treaty established that the EEC would be financed by contributions from the member states, just like any other international organisation. At the same time, however, it envisaged the possibility of replacing these contributions with own resources, requiring, however, that the Council, acting unanimously and after consulting the Assembly, recommend the adoption by the member states of the necessary provisions, and that the member states adopt them in accordance with their respective constitutional rules.<sup>32</sup>

<sup>29</sup> Communauté Européenne du Charbon et de l'Acier, *Rapport sur les pouvoirs de contrôle de l'Assemblée commune et leur exercice par M. P.-H. Teitgen* (2 décembre 1954), *Annuaire français de droit international*, 1 (1955), pp. 708 ff..

<sup>30</sup> On this point, cf. A. De Feo, *Histoire des pouvoirs budgétaires...*, *op. cit.*, p. 25.

<sup>31</sup> On this point, cf. G. Rossolillo, *Autonomia finanziaria e integrazione differenziata*, *Il Diritto dell'Unione europea*, 2013, pp. 793 ff.; V. Constantinesco, *Le recours aux modèles fédéralistes?*, in G. Isaac (director), *Les ressources financières de la Communauté européenne*, Paris, Economica, 1986, p. 377, to describe the system of financing the EEC, uses the term "confédéralisme financier".

<sup>32</sup> Article 201 of the EEC Treaty reads: "The Commission shall study the conditions under which the financial contributions of Member States provided for in Article 200 may be replaced by other resources of the Community itself, in particular, by revenue accruing from the common customs tariff when the latter has been definitely introduced. For this purpose, the Commission shall submit proposals to the Council. The Council, acting by

In 1970<sup>33</sup> the first own resources were therefore established,<sup>34</sup> consisting of customs tariff duties,<sup>35</sup> agricultural levies,<sup>36</sup> and a percentage of value added tax; the latter was not due to become an own resource until 1975, so as to allow the prior application, in all the member states, of the rules determining a uniform tax base.<sup>37</sup> In 1988,<sup>38</sup> following tensions between Parliament and the Council over the approval of the budget, and also as a way to address the increased financial needs of the Community due to the growth of its powers, the so-called fourth resource was introduced, consisting of a percentage of the member states' GNI.

It has to be said that, of these various sources of funding, the so-called traditional own resources are the ones that can most accurately be defined "own".<sup>39</sup> These are in fact resources that are strictly linked to

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means of a unanimous vote and after consulting the Assembly on such proposals, may lay down the provisions whose adoption it shall recommend to the Member States in accordance with their respective constitutional rules".

<sup>33</sup> *Council Decision of 21 April 1970 on the Replacement of Financial Contributions from Member States by the Communities' own Resources (70/243 ECSC, EEC, Euratom)*, OJ L 94, p. 19. On the background to this decision and its antecedents, cf. G. Olmi, *Les ressources propres aux Communautés européennes*, *op. cit.*, pp. 400 ff..

<sup>34</sup> On the concept of own resources, cf. G. Olmi, *Les ressources propres aux Communautés européennes*, *op. cit.*, p. 395; C.D. Ehlermann, *The financing of the Community: the distinction between financial contributions and own resources*, *Common Market Law Review*, 12 (1982), pp. 571 ff., especially pp. 574 ff.; G. Isaac, *La notion de ressources propres*, in Id. (director), *Les ressources financières...*, *op. cit.*, p. 75.

<sup>35</sup> According to Article 2, letter b), of *Council Decision... (70/243 ECSC, EEC, Euratom)*, *op. cit.*, "customs tariff duties" are "common customs tariff duties and other duties established or to be established by the institutions of the Communities in respect of trade with non-member countries".

<sup>36</sup> According to Article 2, letter a), of *Council Decision (70/243 ECSC, EEC, Euratom)*, *op. cit.*, "agricultural levies" are defined as "levies, premiums, additional or compensatory amounts, additional amounts or factors and other duties established or to be established by the institutions of the Communities in respect of trade with non-member countries within the framework of the common agricultural policy, and also contributions and other duties provided for within the framework of the organisation of the markets in sugar".

<sup>37</sup> The sixth VAT directive on the harmonisation of the laws of the member states relating to turnover taxes actually dates back to 1977 (*Council Directive 77/388/EEC of 17 May 1977*, OJ L 145, p. 1). The VAT resource was paid into the community budget only as from 1<sup>st</sup> January 1979.

<sup>38</sup> *Council Decision 88/376/EEC, Euratom of 24 June 1988 on the system of the Communities' own resources*, OJ L 185, p. 24.

<sup>39</sup> The resources initially called customs duties and agricultural levies are now defined as traditional own resources and consist of "levies, premiums, additional or compensatory amounts, additional amounts or factors, Common Customs Tariff duties and other duties established or to be established by the institutions of the Union in respect of trade with third countries, customs duties on products under the expired Treaty establishing the European Coal and Steel Community, as well as contributions and other duties provided for within the framework of the common organisation of the markets in sugar" (cf. Article 2 of the *Council Decision of 26 May 2014 on the system of own resources of the European Union (2014/335/EU, Euratom)*, OJ L 168, p. 105; art. 2 of the *Council*

the competences of the Community, and therefore paid entirely into its budget, and whose amount does not depend on the needs of the organisation itself. In this sense, they strongly resemble the ECSC levies.<sup>40</sup>

The same cannot be said of the percentage of value added tax, given that it is not related to powers exercised at supranational level, and is a tax whose yield is divided between member states and the Union.<sup>41</sup>

Above all, though, it is the fourth resource that is least appropriately labelled “own”. Being a percentage of the member states’ GNI, it is no different in any way from the national contributions that were the EEC’s only source of funding in its early years of operation. Furthermore, since it is intended to cover the part of the budget not financed by the other resources,<sup>42</sup> and also considering that the revenue from the latter has decreased over the years, it now covers about 70 per cent of the EU budget.

However, the aspect that most clearly shows the Union’s financial dependence on the member states is the procedure through which the type and amount of the Union’s revenues are established.

Indeed, although the Treaty of Paris established the type of resources and their source, it envisaged no procedure for placing a ceiling on the ECSC budget, and left the High Authority considerable freedom to set the levy rate, merely requiring it to obtain prior authorisation from the Council, acting by a two-thirds majority, should it wish to set it higher than 1 per cent (Art. 50). Therefore, Article 50, despite being a measure that, as mentioned, made no provision for intervention by the Assembly, did not allow any state to exercise the right of veto and, within the limits provided for by the Treaty, gave supranational bodies the power to decide on resources, taking this away from the member states.

Instead, the current Article 311 TFEU is based on the opposite principle: the decision relating to the system of own resources, which sets a cap on these resources and establishes their types, is adopted by the Council unanimously, after consulting the European Parliament, and it comes into force only once it has been approved by the member states in accordance with their respective constitutional requirements. Moreover, since it is still the states that, through the fourth resource, fund a

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*Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom, OJ L 424, p. 1).*

<sup>40</sup> On this point, cf. C.D. Ehlermann, *The financing of the Community...*, *op. cit.*, p. 577.

<sup>41</sup> On this point and on the debate concerning the possibility of classifying Community VAT as an own resource, cf. C.D. Ehlermann, *The financing of the Community...*, *op. cit.*, pp. 578 ff.; G. Isaac, *Les ressources financières...*, *op. cit.*, pp. 73 ff..

<sup>42</sup> The fourth resource actually assumes the value of a residual resource (i.e., intended to cover the part of the budget not covered by the other resources) which was previously the role of the percentage of value added tax.



large proportion of the Union budget, and no country wishes to increase this contribution, the resulting budget is extremely meagre, until recently amounting to just over 1 per cent of the member states' GNI.

Moreover, this is a mechanism that influences the Union's expenditure. Given the fact that Article 310 TFEU expressly states that "revenue and expenditure shown in the budget shall be in balance", meaning that Union cannot incur debt, the small size of EU revenue also has the effect of reducing the Union's margin for intervention in its management of the various policies for which it is responsible.

The Union's autonomy is further reduced by the fact that its own resources, unlike the ECSC levies, are received directly by the member states,<sup>43</sup> which actually retain a proportion of them by way of collection costs.<sup>44</sup> What this means is that the resources do not directly feed the EU budget, but rather appear, in different ways, in the budgets of the member states, which therefore remain the only subjects able to intervene by judicial or other means to obtain payment by individual parties (persons or undertakings).<sup>45</sup>

In what might be seen as a continuation of the ECSC experience, on the other hand, the European Parliament plays a very limited role in the EU funding process. The financial system of the European Union is, in fact, characterised by a clear distinction between the procedures relating to the determination of revenue as opposed to the definition of expenditure, and by the European Parliament's possibility to decisively influence the latter, but not the former. Whereas, in the determination of expenditure, the European Parliament is called upon to approve the

<sup>43</sup> On the Commission and Council's different approaches to monitoring of the collection of own resources, which were ultimately resolved by the prevalence of the Council's position in regulation 2/71 (*Regulation (EEC, Euratom, ECSC) No 2/71 of the Council of 2 January 1971 implementing the Decision of 21 April 1970 on the replacement of financial contributions from Member States by the Communities' own resources*, OJ L 3, p. 1) cf. G. Olmi, *Les ressources propres aux Communautés européennes*, *op. cit.*, pp. 420 ff..

<sup>44</sup> Initially, once it was ascertained that the resources had been collected correctly, the Community would return 10 per cent of the traditional resources (customs duties and agricultural levies) to the states. Today, member states can directly retain a percentage of these resources, currently 25 per cent (Dec. (EU, Euratom) n. 2020/2053, *op. cit.*).

<sup>45</sup> According to G. Isaac, *Les ressources financières...*, *op. cit.*, p. 76, complete autonomy of the Community (Union) from the member states would imply not only the allocation of fiscal resources to it, but also the possibility for the Community to collect these itself, if necessary by force. As noted by J-L. Chabot and G. Guillermin, *La rétention des ressources propres de la part des Etats membres*, in G. Isaac (director), *Les ressources financières...*, *op. cit.*, pp. 87 ff., continued national "administrative sovereignty" in the collection of own resources allows states to use refusal to pay certain resources into the Union budget as a means of exerting pressure, a hypothesis illustrated in 1978, for example, when France, Great Britain and Denmark refused to pay Community VAT in protest at the increase in the sums allocated to the regional fund.



multiannual financial framework that is then adopted by the Council acting unanimously (Art. 312 TFEU), and participates in the budget approval procedure on an equal footing with the Council (Art. 314 TFEU), on the own resources decision it is merely consulted.

While the limited participation of the ECSC Assembly in this area might in part be justified by the lack of direct democratic legitimisation of this body, the marginal role assigned to the European Parliament is more difficult to defend and only goes to confirm the crucial role played by the member states.

### 7. *The Perspectives Opened up by Next Generation EU.*

The recent pandemic crisis and its serious economic consequences have led to the adoption of measures that could quite profoundly modify the whole picture just outlined.

I refer to the Next Generation EU package,<sup>46</sup> a toolkit designed to address the difficult situation created in many member states by the pandemic crisis. This package, which will remain active until 2026, will provide grants and loans worth €750 billion, funded by taking out European debt, in other words by EU Commission borrowing on the financial markets. This scheme therefore dispenses with the balanced budget principle that is one of the cornerstones of the EU financial system.<sup>47</sup>

Under this arrangement, the capital repayments and interest will be charged to the EU budget and all liabilities must be repaid in full by 31 December 2058. To guarantee this debt, the Union budget had to be increased and this was done by increasing the ceilings on own resources

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<sup>46</sup> Next Generation EU, adopted in parallel with the Multiannual Financial Framework 2021-2027, is based on the 2020/2053 decision on own resources (*Dec. (EU, Euratom) n. 2020/2053, op. cit.*), on the regulation establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 crisis (*Reg. (EU) 2020/2094, OJ L 433 I, p. 23*), and on the regulation establishing the Recovery and Resilience Facility (*Reg. (EU) 2021/241, OJ L 57, p. 17*).

<sup>47</sup> For comments on Next Generation EU see, among others, L. Calzolari and F. Costamagna, *La riforma del bilancio e la creazione di SURE e Next Generation EU*, in P. Manzini and M. Vellano (eds.), *Unione europea 2020. I dodici mesi che hanno segnato l'integrazione europea*, Milan, CEDAM, 2021, pp. 169 ff.; B. De Witte, *The European Union's Covid-19 Recovery Plan: the Legal Engineering of an Economic Policy Shift*, Common Market Law Review, 58 n. 3 (2021), pp. 635 ff.; P. Dermine, *The EU's Response to the COVID-19 Crisis and the Trajectory of Fiscal Integration in Europe: Between Continuity and Rupture*, Legal Issues of Economic Integration, 47 n. 4 (2020), pp. 337 ff.; A. Hinarejos, *Next Generation EU: on the Agreement on a COVID-19 Recovery Package*, European Law Review, 26 (2020), pp. 451 ff.; B. Laffan and A. De Feo (eds.), *EU Financing for Next Decade: Beyond the MFF 2021-2027 and the Next Generation EU*, European University Institute, Florence 2020; L. Lionello, *Next Generation EU: Has the Hamiltonian Moment Come for Europe?*, Eurojus, 7 n.1 (2020), pp. 22 ff..

and also making provision for the creation of new own resources, to ensure that this increase will not eventually force member states to make larger contributions to the common budget.

In particular, as established by Article 6 of Council decision 2020/2053,<sup>48</sup> the own resources ceilings have been temporarily raised by 0.6 percentage points “for the sole purpose of covering all liabilities of the Union resulting from the borrowing”, taking the overall own resources ceiling to 2 per cent of GNI. As for the creation of new own resources, all that has been envisaged so far is the introduction of contributions calculated on the basis of the weight of non-recycled plastic packaging waste, but others are expected to be studied and introduced in the coming years.

So, even though it is a temporary plan adopted exclusively for the purpose of tackling a serious crisis, Next Generation EU seems to lay the foundations for a substantial transformation of the current system of EU funding.

The situation that has arisen following the COVID-19 pandemic has underlined two things: the size of the Union budget is insufficient to cope with crisis situations, and the procedure in place for determining the EU’s resources, requiring agreement to be reached between 27 states, is extremely time consuming and therefore completely inadequate in the face of situations demanding prompt and rapid responses. On the other hand, the above-described overcoming of the taboo of European debt, and therefore the fact that the EU has been allowed, albeit temporarily, to borrow, has opened up an approach, and possibilities, that it will not be easy to “put back in the box”, once the emergency is over.

If this is true, the need will inevitably arise for Union financing mechanisms that allow it to incur debt, but at the same time guarantee the debt through resources that do not depend on the member states, but are instead decided autonomously by the Union and paid directly, by natural and legal persons, into its budget. This would not mean starting out on a new and unknown path, but rather drawing inspiration from a financing system, the ECSC one, that, back in the 1950s, was already based on extremely advanced solutions. However, whereas, in the ECSC, the High Authority was the institution that, within the limits herein outlined, had the power to determine the organisation’s resources, in the Union a central role should be played by the European Parliament, which should be granted one of the key prerogatives of any parliament, namely the power to decide (together with the Council) not only on the expenses of the organisation, but also on its income.

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<sup>48</sup> Dec. (UE, Euratom) n. 2020/2053, *op. cit.*.

# Einaudi and Agnelli and Cabiati's Critiques of the League of Nations\*

SERGIO PISTONE

In the period between the two world wars, and then during the Italian resistance, there was, in Piedmont, a very strong Europeanist current.<sup>1</sup> The writings on the League of Nations project published, in 1918, by Luigi Einaudi and by Attilio Cabiati and Giovanni Agnelli, the region's most prominent personalities of significant international standing, are important contributions to the debate on European unification that unfolded between the wars. Their arguments are a turning point in the history of the idea of European unification. In essence, these writings identified, for the first time, the central aspects of the problem of European unification around which subsequent theoretical debate on the issue revolved; furthermore, they convincingly showed European federation to be the only adequate response to the problems that had led to the outbreak of the First World War.<sup>2</sup> They therefore deserve to be recalled.

It is no accident that the context of these authors' clarifications was their criticism of the League of Nations project, then still in the planning stage. The very proposal of this project was, in itself, a clear demonstration of the fact that WWI, having brought unprecedented de-

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<sup>1</sup> In this regard, cf. C. Malandrino (editor), *Alle origini dell'europeismo in Piemonte*, Turin, Fondazione Luigi Einaudi, 1993, and S. Pistone and C. Malandrino (editors), *Europeismo e federalismo in Piemonte tra le due guerre mondiali; la Resistenza e i Trattati di Roma*, Florence, Leo Olshki, 1999.

<sup>2</sup> To understand how the writings of Einaudi and of Agnelli and Cabiati, referred to herein, fit into the history of the idea of European unity, see, in particular, C.H. Pegg, *Der Gedanke der europäischen Einigung während des Ersten Weltkrieges und zu Beginn der zwanziger Jahre*, Europa-Archiv, 17 (1962), pp. 749-758, and W. Lipgens, *Europäische Einigungsidee 1923-1930 und Briands Europaplan im Urteil der deutsche Akten*, Historische Zeitschrift, 103 (1966), pp. 46-89 and 316-363 (especially pp. 46-63). In addition, on Einaudi alone, cf. M. Albertini, *Federalismo e Stato Federale. Antologia e definizione*, Milan, Giuffrè, 1963, pp. 105-110.

struction and the risk of an irreparable breakdown of Europe's very civilisation, was forcing the political classes of the major powers to confront the need, essentially moral but also political — the survival of the European system of states itself was at stake —, to make future war impossible, and therefore to change the structure of international relations. But the new international organisation being planned was actually (as history went on to confirm) a totally inadequate response to this problem, as it failed to eliminate the real causes of war. Precisely because the League of Nations was, by this time, a concrete and fairly well-defined political proposal, the three authors, measuring their ideas against it, were able not only to clearly identify its structural weaknesses, but also to demonstrate in non-abstract terms that European federation was the only suitable response to the problems behind the Great War, and therefore to formulate the federal proposal in far more precise and convincing terms than had been possible up to that point.

Hence the usefulness of outlining their stances on the League of Nations. In so doing, it is best to start by examining the contribution of Einaudi, who in the last year of the war devoted two memorable articles to the question, both published in *Corriere della Sera*.<sup>3</sup> The first of these was a direct source of inspiration for the more extensive work, written that same year, by Agnelli and Cabiati.<sup>4</sup>

In this first article, the more important of the two, the basic criticism levelled at the League of Nations project concerns the maintenance of absolute state sovereignty, a condition that all the governments concerned insisted was indispensable in order to put the project into effect. Einaudi's position on this point is unequivocal. It is entirely delusional to hope that lasting conditions of peaceful collaboration between states might be maintained on the basis of an international organisation that does not substantially limit their sovereignty; in other words, an organisation that does not constitute "a true superstate, invested with direct sovereignty over the citizens of the various states and the right to es-

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<sup>3</sup> The articles in question are *La Società delle Nazioni è un ideale possibile?* (5 January, 1918) and *Il dogma della sovranità e l'idea della Società delle Nazioni* (28 December, 1918), both republished in *Lettere politiche di Junius (1917-1919)*, Bari, Il Pensiero, 1920, and subsequently in L. Einaudi, *La guerra e l'unità europea*, Milan, Edizioni di Comunità, 1948 and 1950. The quotations herein are taken from the second (1950) edition.

<sup>4</sup> Cf. G. Agnelli and A. Cabiati, *Federazione Europea o Lega delle Nazioni?*, Turin, Treves Editore, 1918. The following year, the book was published in Paris, in French, with the title *Fédération européenne*. In 1979, the Italian text was republished (by means of anastatic reprinting) by E.T.L., Turin, with a preface by the author's grandson Giovanni Agnelli and an introduction by S. Pistone. The author G. Agnelli was the founder of the famous carmaker FIAT.

tablish its own taxes, maintain a supranational army, distinct from the national armies, and run an administration of its own, different from the national administrations.”<sup>5</sup> The impossibility of this idea is, indeed, confirmed beyond doubt by historical experience, which shows that all previous “confederations of sovereign states” (Einaudi’s term for associations of states that substantially retain their sovereignty) have inexorably failed, from the confederation of Greek city states formed in the fifth century BC to the Holy Alliance and the confederation of German states in the nineteenth century. Conversely, various mergers of countries into single unitary states have worked, as indeed has the American federation, which was created precisely to overcome the limitations of the confederation of states formed during the War of Independence, when this latter organisation was on the point of disintegrating.

The author focuses most on the American example, which he considers to offer the only valid model for achieving the unification of several nation-states over an area of continental dimensions, while ensuring that they retain a degree of autonomy compatible with the maintenance of unity.

On the basis of these comparative historical considerations, Einaudi concludes not only that the planned League of Nations is bound to fail, but also that it will end up “increasing and poisoning the arguments for discord and war”, given that, “in addition to the existing causes of bloody struggle, there would be backbiting over the sharing of common expenses, and anger towards defaulting and recalcitrant states.”<sup>6</sup>

To appreciate the importance of this criticism, and prediction, it is necessary to understand that it introduced into the discourse on European unification a conceptual clarification that is not as banal as it might initially seem, given that it became, from then on, the fundamental criterion able to distinguish proposals genuinely capable of solving the problem of stable peaceful collaboration in Europe from ones that only appear to be solutions; and it is precisely this criterion that allowed federalist Europeanism to start actively criticising political reality, avoiding the moralistic, pacifist stances of others. In other words, it introduced, in reference to a concrete proposal for a new international organisation, a clear distinction between the concept of collaboration between states and that of their unification, showing them to be the polar opposites of each other. Basically, sovereign states that choose collaboration are declaring that they wish to remain divided, despite being faced with

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<sup>5</sup> Cf. L. Einaudi, *La Società delle Nazioni è un ideale possibile?*, *op. cit.*, p. 12.

<sup>6</sup> *Ibid.*, pp. 16-17.

problems whose solution demands unification. This choice also denotes an unwillingness to recognise that without sharing of sovereignty (i.e., without elimination of the true root cause of division), any collaboration, and any international organisation built upon it, will collapse as soon as the pressure of divergences becomes significant, irrespective of governments' good faith and desire to pursue it.

Unification, on the other hand, possible only through limitation of sovereignty, is a condition that allows unity to be preserved in spite of any conflicts that emerge, which is the normal pattern in relations between human groups.

It has to be acknowledged that despite the clarity of this distinction, Einaudi does not clearly indicate European federation as the solution; actually, he sees this as rather unrealistic, and considers it more prudent, initially, to imagine the creation of Latin, Germanic, and Slavic states of a higher order than the existing European ones, with the idea that these are destined to become second- or third-order powers.<sup>7</sup> The fact remains, Einaudi points out, that the need for European unity is the central problem of our time, and war is essentially a fight to achieve either a positive or a negative solution to it: "The present war is the sentence of European unity imposed by force by an ambitious empire, but it is also the bloody endeavour to develop a superior political form."<sup>8</sup>

Precisely what Einaudi means by this is clarified in his second article, which explores, as its central theme, the contradiction existing between the dogma of absolute state sovereignty and the growing interdependence, beyond national boundaries, of human relations in all spheres of activity, particularly the economic field, where the phenomenon demands restriction and coordination of sovereignty over ever larger areas, even (one day) the whole world. German politics, he argues, being characterised by the desire to retain national sovereignty fully and unconditionally, and not to accept any voluntary limitation of the same, shows the topicality of this contradiction, which, logically and inevitably, has led it to pursue a plan for European and global hegemony. Indeed, full sovereignty of a European state can be guaranteed militarily only by destroying the power of all potential adversaries; and this, in turn, can be achieved only by directly or indirectly controlling the entire European continent, and making this control the basis of a global

<sup>7</sup> *Ibid.*, p. 21. Einaudi clarified his thoughts on this subject in his review of the aforementioned book by Agnelli and Cabiati (published in *La Riforma Sociale*, 29 (1918), pp. 661-662, and republished in L. Einaudi, *Gli ideali di un economista*, Florence, La Voce, 1921).

<sup>8</sup> Cf. L. Einaudi, *La Società delle Nazioni è un ideale possibile?*, *op. cit.*, p. 22.

hegemonic role. Moreover, independence implies economic self-sufficiency, that is, not having to depend on the will of others, particularly for food and raw materials for industry. Clearly, then, the economic basis of sovereignty can be guaranteed only by dominating areas of continental, or even greater, dimensions. All this explains Germany's hegemonic objectives in the war, whose realisation, Einaudi argues, must be opposed with all available material and moral forces, and by setting out, as the alternative, not the simple preservation or restoration of national independence, but rather the search for a peaceful and voluntary, i.e., federal, solution for managing the very real phenomenon of growing interdependence on a continental and world scale.

Following his explanation of the diametrical opposition between interstate collaboration and unification, this, then, is the second crucial contribution made by Einaudi, in the writings in question, to clarification of the problem of European unification. It is a point of view that hereafter remains a constant, albeit through subsequent insights, in his federalist thought, destined to re-emerge in all his strongest stances in favour of a European federation.<sup>9</sup>

With respect to Einaudi's contributions, some important advances can already be found in a contemporary work by Agnelli and Cabiati.<sup>10</sup> Although their book is full of extremely interesting ideas, in this con-

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<sup>9</sup> Cf. L. Einaudi, *La guerra e l'unità europea*, *op. cit.*, which includes his most important federalist writings from 1918 until 1948. Even though the need to create large state arenas had been, on account of the growing economic interdependence emerging at continental level, an increasingly recurrent theme in political-cultural debate since the end of the nineteenth century (cf., in particular, C.H. Pegg, *Der Gedanke der europäischen Einigung*, *op. cit.*, including the relevant bibliography), it should be understood that the novelty of Einaudi's ideas lies precisely in the fact that they are set firmly in a framework of European federalism. It is worth recalling that other key contributions to discussion of this question were made in the same period by G. Agnelli and A. Cabiati, *Federazione Europea o Lega delle Nazioni?*, *op. cit.*, and by A. Demangeon, *Le déclin de l'Europe*, Paris, Wentworth, 1920, on which cf., also, C.H. Pegg, *op. cit.*, pp. 754-55.

<sup>10</sup> To understand the political context in which this book came about and the influence of Einaudi and Frassati (then director of *La Stampa*) on the emergence of the federalist orientation of the founder of FIAT, cf. V. Castronovo, *Giovanni Agnelli*, Turin, Einaudi, 1977, pp. 132-135, 159-162, 725 (as well as the article by Frassati, published in *La Stampa* on 29 October, 1918, entitled *L'assemblea degli azionisti FIAT. L'opera della società durante la guerra*, and the book, by various authors, entitled *I cinquant'anni della FIAT*, Milan, Mondadori, 1950, p. 128). One of the main cultural sources for this book is contemporary English literature, particularly the part favourable to the transformation of the British Empire into a true federation along the lines of the North American model. Among others, the authors refer to J.R. Seeley (although they mention only *Introduction to Political Science*, and not the far more important *The Expansion of England*, London, MacMillan, 1883), and L. Curtis (editor), *The Commonwealth of the Nations*, London, Franklin Classics Trade Press, 1916.

text we focus on those that can be considered most enlightening from the perspective of the specific question of the League of Nations.

With regard to this issue, Agnelli and Cabiati pick up on Einaudi's ideas directly, embracing in particular the two key ones mentioned above (and actually coming out even more clearly in favour of a European federation); at the same, though, time they supplement Einaudi's theses with ideas of their own.

Their most notable contribution is the argument, broad and complex, that the League of Nations will not prevent new wars, and conversely is likely to encourage them. In deepening Einaudi's analysis, in which he identifies the absence of any real restriction on sovereignty as the structural flaw in the League of Nations project, the two authors examine in detail the individual aspects of President Wilson's proposal and, among other things, completely demystify its central pillar: the idea of a supreme court before whose deliberations all states should bow.

As history has shown, an arbitral tribunal, vis-à-vis states that retain not only formal sovereignty, but also the effective possibility of defending that sovereignty militarily, does not have capacity to enforce its judgements if the said states believe them to be harmful their vital interests. Nor, the authors underline, should it be imagined that the resistance of some states can be overcome by the coercive force of the group of nations. Because if this coercive force were to consist of the use of arms, then this would lead to the very situation the League of Nations is meant to exclude: an ever-escalating arms race that would inevitably result in war. Similarly mistaken is the idea that coercive force to ensure implementation of the international court's decision might be applied by excluding the rebel power from economic agreements; indeed, such a sanction would, in decisive cases, be inadequate: "First, because, should the power in question come to an agreement with other states, it could become a force capable of resisting the embargo throughout the duration of a long war; second, because resistance of this kind can be facilitated by preventive hoarding of raw materials and foodstuffs in the period before the war."<sup>11</sup> On the other hand, the idea of managing to overcome these difficulties through disarmament is even more fantastical, given that no means "can be devised to prevent a state from preparing, at least potentially, a military organisation superior to that which appears outwardly and on paper", and it is in any case clear that "the most industrialised and

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<sup>11</sup> Cf. G. Agnelli and A. Cabiati, *Federazione Europea o Lega delle Nazioni?*, op. cit., p. 88.



least democratic peoples (will) always be superior to the others in the rapid organisation of armies".<sup>12</sup>

It is significant that the two authors reinforce these truly prescient criticisms by referring to the ideas of Treitschke, an authoritative figure and one of the best-known exponents of the German "doctrine of the power-state" (*Machtstaatsgedanke*), which was the main instrument used to provide ideological justification for German nationalism and imperialism, especially in the run-up to the First World War.<sup>13</sup> Obviously, they reject the nationalistic and imperialistic evaluative orientation of this cultural current, against which they set the option of choosing to overcome, through federalism, the roots of power politics, and therefore of nationalism and imperialism; but, at the same time, they recognise the scientific validity of some of its arguments, which fall within the centuries-old tradition of thought based on the *raison d'état* theory, and are indispensable for reaching an adequate understanding of the problems of international relations. Of Treitschke's views, they substantially accept the fundamental centrality of the *raison d'état* theory, which attributes power politics and emerging warlike tendencies in relations between states ultimately to international anarchy, that is, to the pure and simple division of humanity into sovereign states, as a result of which every state, regardless of its political regime and production system, must bow to the law of force to protect its autonomy.<sup>14</sup> And they therefore recognise that, in the absence of any real limitation of sovereignty, the German historian is absolutely right when he says: "War will

<sup>12</sup> *Ibid.*, p. 81.

<sup>13</sup> For a general overview of the German doctrine of the state-power, cf., F. Meinecke, *Die Idee der Staatsräson in der neueren Geschichte*, Munich, R. Oldenbourg, 1924, translated into English in 1957 under the title *Machiavellism: The Idea of the Reason of State in Modern History*, London, Routledge and Kegan Paul. Cf., also, S. Pistone, *Friedrich Meinecke e la crisi dello Stato nazionale tedesco*, Turin, Giappichelli, 1969.

<sup>14</sup> From the *raison d'état* perspective, they are able not only to see that power politics ultimately derives from the anarchic situation of international relations rather than from the nature of internal state structures, but also to realise that the dominance of military castes and militaristic tendencies (which certainly encourage a propensity for exaggerated power politics) within the continental European states, especially Germany, is also a consequence of international anarchy that objectively favours militarism and weakens democratic and progressive forces. For this reason, they criticise as simplistic the President Wilson's argument (one of the concepts on which he founded his League of Nations project) that warlike and imperialistic tendencies are essentially the fruit of the authoritarian and undemocratic nature of the internal structures of certain states. Cf. G. Agnelli and A. Cabiati, *op. cit.*, pp. 51-52, 78-80, 93-99. For a comparison between theories of international relations based on the idea of the "primacy of internal politics" and the *raison d'état* theory, based on the concept of international anarchy, cf. S. Pistone (editor), *Politica di potenza e imperialismo. L'analisi dell'imperialismo alla luce della dottrina della ragion di Stato*, Milan, Franco Angeli, 1973, especially the introduction.

never be banished from the world thanks to arbitration courts between nations. In the big issues involving the vital interests of a nation, the impartiality of the other members of the Society of states is absolutely impossible. The latter cannot avoid being a party, precisely because they form a living community. If the folly of Germany submitting the issue of Alsace-Lorraine for arbitration were feasible, what European power could be impartial? It absolutely does not exist. Hence the well-known phenomenon whereby international congresses are capable of formulating the results of a war, of juridically putting them in order, but [...] are unable to avert the threat of a war.” Equally valid is his other well-known observation that international treaties between two states hold up only “until the conditions of the two states change completely.”<sup>15</sup>

Essentially, Agnelli and Cabiati’s stance in relation to Treitschke’s arguments provides important confirmation of the fact that federalist thought, theoretically consistent and therefore capable of overcoming the limits of utopian pacifism, draws one of its fundamental strengths from its critical and creative appraisal of the doctrine of *raison d’état*. And it also demonstrates the fact that failing to adopt an evaluative perspective that favours the definitive overcoming of power relations between states makes it impossible to overcome the basic flaw of pure political realism. Indeed, as the example of Treitschke clearly shows, considering international reality in terms of the power interests of the single state leads international anarchy to be seen not as a situation that, being historically determined, is historically surmountable through human will, but rather as a natural and unchangeable fact.<sup>16</sup>

Critical appraisal of the *raison d’état* theory also leads the two authors to formulate the further, and decisive, argument supporting their prediction that the League of Nations is destined to fail. “What — they ask — is this concept of a league of nations, which preserves full sovereignty for each of them? If we think it over, it is nothing but a wider concept of the ‘balance of powers’; that is, a body which tries to create a stable equilibrium in European politics. But what history has demonstrated is, precisely, the vanity of this concept and the dangers it brings

<sup>15</sup> The two passages of Treitschke cited by G. Agnelli and A. Cabiati in *Federazione Europea o Lega delle Nazioni?*, *op. cit.*, on pp. 88–89, are taken from Heinrich von Treitschke, *Politik. Vorlesungen, 1897–1898*, Leipzig, Hirzel, 1911–1913.

<sup>16</sup> Cf. G. Agnelli and A. Cabiati, *op. cit.*, pp. 84–89, who cite significant examples (concerning Treitschke and other lesser-known German state-power theorists) of the tendency to consider international anarchy a natural state of affairs. Generally, on the problem of inserting conceptual schemes drawn from the doctrine of *raison d’état* into federalist theory, cf. M. Albertini, *Federalismo e Stato Federale...*, *op. cit.*, pp. 105–110.

with it. It is impossible to balance live forces. Nations and states are not inert masses which can be kept in suspense within a system; but, on the contrary, living organisms, that expand with different energy one from the other, according to natural laws which are unknown to us. Human conventions cannot stop natural development and if they try to do so, they simply add one more cause for conflict to those already existing. Until the interests of Germany merge with those of France, England, etc., the international treaty which links nations will become, at every stage of historical development, a Procrustean bed, against the torments of which nations will naturally be driven to react, either by modifying regularly and periodically the international pact, or by breaking it. In such conditions the league of nations becomes a fomenter of suspicion and deception, which might hasten another European war instead of eliminating it. There is nothing better than a broken treaty for creating new and more menacing sources of disagreement.”<sup>17</sup>

Basically, since the Industrial Revolution, at its height, had speeded up the pace of economic and demographic evolution, it was now inconceivable that a minimum of international order might be maintained through recourse to the old European system of balance between the powers, which might work, within certain limits, only in a far more static situation. What was called for, instead, was the courage to overcome at the root, through a federation, the system of sovereign states in Europe, which was the main source of disorder and war in Europe and the world; conversely, attempting to circumvent the objective difficulties inherent in overcoming this system simply by hiding the old reality behind an ideological and juridical screen would only make the problems more entangled than before, and set the stage for the moral disqualification of the new international organisation vis-à-vis public opinion in the dissatisfied powers. It would be better, the two authors clearly seem to argue, to leave the balance of powers system clearly in view, free of hypocritical dissembling and unnecessary legal mechanisms.

To better grasp the theoretical relevance of these considerations, it can be noted, among other things, that they converge in part with the famous theory of uneven development, which was the basis of the argument used by Lenin, during the First World War, to reject the “United States of Europe” slogan.<sup>18</sup> Under a capitalist regime, Lenin argued,

<sup>17</sup> Cf. G. Agnelli and A. Cabiati, *op. cit.*, pp. 81-82.

<sup>18</sup> Cf. V. Lenin, *On the Slogan of the United States of Europe*, Sotsial-Demokrat, n. 44, 5 September (23 August) 1915, and *Imperialism as the Supreme Stage of Capitalism*, Petrograd, 1917, particularly chapters VII, VIII, IV, <https://www.marxists.org/archive/lenin/works/1916/imp-hsc/imperialism.pdf>.

this objective was practically unreachable, precisely because the inevitably uneven development of the capitalist economies of the various states would periodically upset the pre-existing balance of economic, political and military forces and push states no longer satisfied with the distribution of world resources to forcibly break international collaboration treaties. Hence, it was pointless to think of establishing European unification as one of the objectives of the socialist struggle, pending the abolition of capitalism. In hindsight, what Lenin had in mind, when referring to a United States of Europe, was actually a confederal model along the lines of the League of Nations, in other words, an international organisation of the kind that unequal development inevitably tends to undermine and eventually fracture, for the simple reason that its members are sovereign armed states, and therefore the economic and/or demographic strengthening of some of them, compared with the others, automatically translates into an increase in their military power, and consequently leads the strategic balance to break down. Instead, as Agnelli and Cabiati point out, the situation of a true federation is radically different: in this setting, any instances of unequal development (inevitable to an extent with any production system), since they are occurring in relations between disarmed states, may certainly cause even serious divergences, but not ones capable of creating problems of a strategic kind.

With the same clarity of thought, the two authors, going beyond the problem of the inadequacy of the League of Nations as a means of guaranteeing peace, also highlight the objectively conservative and reactionary nature that, at the level of social relations, this organisation would be bound to have, on account of its being, precisely, a confederation of sovereign states. In this regard, one of their considerations, in particular, deserves to be emphasised, as it anticipates, in a nutshell, a key thread running through subsequent federalist critique of the various confederal-functionalist forms of integration. Concretely, they see the League of Nations as a replica of the Holy Alliance, a view based on the following analysis by J. Dover Wilson: “European capital is almost certain to have a large say in the settlement, and considerable influence in the counsels of any new Concert of Europe that might come into existence. Now suppose — a not impossible contingency — that a ring of capitalists gained complete control of some politically backward country like Russia, and suppose a grave crisis arose in the Labour world in England or France, what would be easier than for arrangements to be made at the international conference for the transference of Rus-

sian troops to the west, 'to preserve the sacred rights of property and the peace of Europe'? This may seem a somewhat fantastic supposition, yet it was precisely in this way and on grounds like these that the Holy Alliance interfered with the internal affairs of European countries during the second and third decade of last century, and even as late as 1849 we have Russia, still faithful to the principles of thirty years before, coming to the assistance of Austria in her suppression of the liberties of Hungary."<sup>19</sup> According to Agnelli and Cabiati, such a situation, in which financial oligarchies can exploit the overwhelming strength of conservative interests in certain socially and politically backward countries to overturn socio-political balances more supportive of progressive interests existing in others, can in fact be eliminated, if "in place of a League of Nations, there were a federal state with a congress proportionally representing all social groups and with a single army formed, on a democratic basis, by merging elements from all nations."<sup>20</sup> Leaving aside the extreme situation just hypothesised, the important thing to note is the concept driving this criticism, the nub of which is the fact that an international organisation based on the transfer of important state powers to interstate bodies that escape effective democratic control by the collective population of that organisation's member states cannot help but favour economic and social forces that have everything to gain from a weakening of democratic controls on state action. It is a valid criticism that can be levelled at confederal-functionalist forms of integration, precisely because they make no provision for adequate democratic controls of the interstate bodies. And, in this sense, it can be said that Agnelli and Cabiati are already thinking along the same lines as post-WWII federalist critics of functionalist integration.<sup>21</sup>

The acuteness of their analysis, as well as that of Einaudi it must be said, unfortunately had no practical repercussions in the years immediately following the end of the war. Their arguments fell on deaf ears not only in conservative nationalist circles, which was to be expected, but also among more politically advanced forces, a point illustrated by the fact that even figures as important as Gobetti and Gramsci failed to embrace their ideas.

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<sup>19</sup> Cf. G. Agnelli and A. Cabiati, *op. cit.*, p. 71. The original citation in English can be found at <https://www.hotfreebooks.com/book/The-War-and-Democracy-R-W-Seton-Watson-J-Dover-Wilson-Alfred-E-Zimmerman.html>.

<sup>20</sup> *Ibid.*, p. 72.

<sup>21</sup> A very insightful illustration of the fundamental aspects of this critique can be found in L. Levi, *L'integrazione europea*, Turin, Coopervativa libraria universitaria torinese, 1974.

The former, albeit with some reservations and with few illusions about the chances of achieving lasting universal peace, substantially approved Wilson's League of Nations project, agreeing with Mazzini's view that nations, while necessarily brotherly, would remain sovereign and armed. Accordingly, he explicitly rejected Agnelli and Cabiati's proposal: "A confederation of states as proposed by Agnelli and Cabiati in their recent book is not possible because alongside economic and industrial forces, there are other, greater ones that also include these forces, namely, the ideals of the peoples, who will never give up on their history, or at least will not do so now, and will not go seeking nirvana in some artificial unity that would actually amount to confusing and conflicting diversity. How could a unity of languages be achieved? Or a unity of legislation, or government? Either the unity would be relative, meaning that the *Federation* would actually be the Society [League of Nations], or there would be an artificial unity at odds with historical fact and with human inclination."<sup>22</sup>

As for Gramsci, it is clear from an article he wrote in 1919,<sup>23</sup> criticising Agnelli — the article deals mainly with the establishment of a police force within FIAT —, that he believed the founder of FIAT to be a firm supporter of Wilson's League of Nations project. This is an extremely clear indication that the future founder of the Communist Party of Italy paid scant attention to the federalist question.

The discussion started by Einaudi and by Agnelli and Cabiati, therefore, failed to enter contemporary political debate. Indeed, it was not until after the Fascist experience that their insights found, with the birth the Italian resistance movement, fertile ground in which to develop and grow.<sup>24</sup>

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<sup>22</sup> Cf. P. Gobetti, *La società delle nazioni*, Energie nuove, series I, n. 5, 1-15 January 1919, pp. 65-67, republished in P. Gobetti, *Scritti politici*, edited by P. Spriano, Turin, Einaudi, 1969, pp. 36-42. It should be emphasised that Gobetti rejects, albeit without examining it thoroughly, the criticism of the doctrine of the nation state which Agnelli and Cabiati use as the foundation of their federalist proposal, and which they base on the analysis by Lord Acton (cf. *Nationality, 1862*, in the collection *The History of Freedom and Other Essays*, London, McMillan, 1922, pp. 270-300). With regard to Gobetti's inability to go beyond the national perspective, see Cofrancesco's insightful remarks in a note in G. Calogero, *Difesa del liberalsocialismo e altri saggi*, new edition, edited by M. Schiavone and D. Cofrancesco, Milan, Marzorati, 1972, pp. XXIV-XXXI.

<sup>23</sup> Cf. A. Gramsci, *Un soviet locale*, Avanti!, Turin edition, 5 February 1919, republished in *2000 Pagine di Gramsci*, I. *Nel tempo della lotta (1914-1926)*, Milan, Il Saggiatore, 1964, pp. 357-359.

<sup>24</sup> Cf. *L'idea d'Europa nel movimento di Liberazione 1940-1945*, edited by G. Arfé, Rome, Bonacci Editore, 1986.

# A Larger Circle Around the EU: How to Reconcile Enlargement, Deepening and Respect for Human Rights

GIULIA ROSSOLILLO

## *Introduction.*

The various crises of recent years have forcefully brought to the fore two apparently conflicting needs within the context of the process of European integration. One is the need to strengthen the Union so that it may be able to deal with crises that arise, and also become a global player capable of preventing them from occurring in the first place; the other is the need to enlarge the Union and expand its sphere of influence. These needs are, in some respects, difficult to reconcile. The stronger the Union gets, the more difficult it becomes to join, because joining a politically strengthened Union implies accepting a strong limitation of national sovereignty. On the other hand, the larger the Union grows, the more difficult it becomes to strengthen and reform it in a more supranational sense; after all, many decisions, primarily on Treaty revision, must be taken by unanimity, which obviously becomes more difficult to achieve the greater the number of states involved.<sup>1</sup> Moreover, as the 2004 enlargement has shown, a state that joins the European Union is unlikely to be then inclined to move swiftly towards a further limitation of its sovereignty.

## *The War in Ukraine and the Drive to Enlarge.*

Russia's invasion of Ukraine has turned the spotlight back on the topic, shelved for many years, of enlargement of the EU. The need to

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<sup>1</sup> This very point was highlighted by G. Van der Loo, P. Van Elsuwege, *The EU-Ukraine Association Agreement after Ukraine's EU Membership Application: Still Fit for Purpose*, European Policy Centre, Discussion paper, Europe in the World Programme, 14 March 2022, p. 5, "there is a 'fourth Copenhagen criterion', which relates to the EU's capacity to absorb new member states", <https://www.epc.eu/en/publications/The-EU-Ukraine-Association-Agreement-after-Ukraines-EU-membership-app~46daac>.

offer a tangible sign of EU support for Ukraine and the will to attract states into the circle of Western democracies, as opposed to autocracies, has prompted the EU to grant Ukraine (and Moldova) candidate country status.

However, joining the EU is a very long and complex journey, especially for countries, like Ukraine, that have been and are continuing to be impacted by war: it involves a process of transposition of the Union's *acquis* and demands compliance with certain very specific economic and legal criteria (the so-called Copenhagen criteria), whose fulfilment is monitored by the Commission.

With this in mind, it is worth drawing attention to French president Emmanuel Macron's proposal to create a European Political Community (EPC),<sup>2</sup> by which he means a circle of like-minded countries that, while some may not yet (or no longer) wish to be part of the EU, nevertheless share the same values and desire to engage in forms of co-operation in a range of areas: political, security, energy, investments, infrastructures, and the movement of people, especially young people.

The proposal seems to meet two needs: first, to strengthen the bloc of democracies and states that are united by certain fundamental values, and second to overcome, to an extent, the limits of the EU accession procedure, so that those states wishing to join the Union might already be given the chance to cooperate with it politically, pending completion of the difficult process of transposing the *acquis* into their national legislation and adapting their economies to the criteria required of a member state. Under the proposal, these states would therefore be linked with the Union in a political sense, i.e., on the basis not of economic criteria, but rather of shared democratic values and a shared vision of collective security.

Whether or not we will see concrete developments in this sense — this looks unlikely for now, given that the EPC seems to be envisaged along the lines of an international conference —, the proposal nevertheless constitutes an opportunity to address the issue of the possible creation, outside the Union, of a circle of countries linked to it by a different and more political bond than the one created by the usual association agreements.

In particular, to find some points for reflection on this question, we

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<sup>2</sup> The proposal was made on 9 May 2022. On the EPC proposal, cf., for all, T. Chopin, L. Macek, S. Maillard, *La Communauté politique européenne. Nouvel arrimage à l'Union européenne*, Institut Jacques Delors, Décryptage, May 2022, <https://espol-lille.eu/chopin-t-macek-m-maillard-s-2022-la-communaute-politique-europeenne-nouvel-arimage-a-lunion-europeenne-decryptage-paris-institut-jacques-delors-18-mai/>.



can think back to the experience of the 1950s, in particular the draft Treaty establishing a European Political Community which had been meant to complement the Treaty establishing the European Defence Community (EDC). The feature shared by today's proposal and that of the 1950s is not so much the name (the 1950s version of the European Political Community was entirely different from the one now being proposed by Macron), but rather the fact that the 1953 draft treaty envisaged a sort of associate member status, the very solution that today would seem to offer valuable opportunities moving forward.<sup>3</sup>

Indeed, under Article 90 of that treaty,<sup>4</sup> the Community, with a view to establishing close collaboration in certain areas, would have been able to conclude agreements with third countries willing to guarantee respect for human rights and fundamental freedoms. These agreements, under Article 91,<sup>5</sup> could also have allowed representatives of the governments of the associated states to take part in the Council of Ministers, and the same states' members of parliament to sit in the senate, with either partial or full rights.

The overall solution envisaged in the 1950s is interesting for two main reasons: first because, like the current EPC proposal, it seems to evoke an association founded more on common values and respect for fundamental rights than on economic or juridical criteria; second, because it envisages forms of cooperation involving a much greater sharing of decision-making power between the EU and third countries than is envisaged by normal association agreements. Indeed, the latter, unlike the 1953 political community project, do not envisage any participation by representatives of third states in the meetings of EU bodies.

Actually, the idea of some kind of partial participation in the Union is not a new one, having been broached in recent years by that part of the doctrine that is open to the creation of forms of associated or limited membership. Although here is not the place to describe in

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<sup>3</sup> On this point, cf. A. Duff, *Britain and the Puzzle of European Union*, London-New York, Routledge, 2022, p. 11.

<sup>4</sup> Art. 90: "En vue d'établir dans certains domaines une collaboration étroite impliquant les droits et obligations corrélatifs, la Communauté peut conclure des traités ou des accords d'association avec des États tiers qui garantissent le maintien des droits de l'homme et des libertés fondamentales".

<sup>5</sup> Art. 91: "Le traité d'association peut prévoir notamment: 1. La participation de représentants des gouvernements des États associés au Conseil des ministres nationaux ou de représentants des Peuples des États associés au Sénat, soit avec des droits partiels, soit avec des droits pleins; 2. La création de Commissions permanentes mixtes de caractère gouvernemental ou parlementaire".

detail the hypotheses that have been advanced, we need only consider that some authors have proposed annual meetings of the European Council extended to associate or affiliate member countries, the participation of observers from these countries in sessions of the European Parliament, and a role for associate judges in the Court of Justice in cases involving matters relating to associate or affiliate member states.<sup>6</sup> As some have pointed out, these forms of limited membership could then allow certain rights to be extended to the citizens of the said states (social protections for migrant workers, the right for political parties and civil society organisations from these states to carry out their activities in the European area) and financial and structural assistance to be provided. Furthermore, looking at the issue from the protection of human rights and rule of law perspective, it is possible to hypothesise the creation of economic incentives aimed at strengthening such protections and conditional upon the achievement of objectives in this sense.<sup>7</sup>

If membership of a future EPC were to mean all that we have described above, rather than amounting merely to a form of consultation within an international conference, then it could easily be proposed both as an alternative to full membership (for those states wishing to maintain a looser link with the Union) and as a step towards accession for those wanting more than that.<sup>8</sup> This second point should be made extremely clear, to prevent states joining the European political community from believing that their membership of it is somehow a bar to their future membership of the EU. On the contrary, joining this community would be beneficial also to those states wanting to achieve full EU membership, because it would give them the chance, already, to participate (albeit without the right to vote) in discussions within some of the Union's institutions, and benefit from certain rights and financial assistance, without all this being conditional upon compliance with economic criteria and the very complex *acquis* transposition process.

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<sup>6</sup> In this sense, cf. C. Atligan, D. Klein, *EU Integration Models beyond Full Membership*, Konrad-Adenauer-Stiftung e.V., Working Paper, May 2006, pp. 8 ff., [https://www.kas.de/documents/252038/253252/7\\_dokument\\_dok\\_pdf\\_8414\\_2.pdf/b7cf7fa7-340c-855b-477e-5db773e974f3?version=1.0&t=1539665427443](https://www.kas.de/documents/252038/253252/7_dokument_dok_pdf_8414_2.pdf/b7cf7fa7-340c-855b-477e-5db773e974f3?version=1.0&t=1539665427443); A. Duff, *Britain and the Puzzle of European Union*, *op. cit.*, p. 133.

<sup>7</sup> *Ibid.*, p. 7.

<sup>8</sup> On this point, cf. T. Chopin, L. Macek, S. Maillard, *La Communauté politique européenne...*, *op. cit.*, p. 4, who argue that membership of the European Political Community should entail, in addition to ratification of the Charter of Fundamental Rights of the European Union, "une association à la vie institutionnelle de l'UE".

*How to Reconcile Enlargement and Deepening.*

However, the prospect of enlargement and of the creation of a European political community constituting a sort of circle outside the Union is unthinkable unless the EU manages to strengthen itself and become a subject capable of responding to the clear challenges thrown up by the crises of recent years, and therefore of responding to the needs expressed by the citizens through the Conference on the Future of Europe.

Indeed, without this strengthening, the planned external circle and progressive entry of new states could easily lead to dilution of the Union and prove an obstacle to its functioning; as a result, the Union would be in no position to offer a guarantee of security to the EPC member states.

What needs to be done, in short, is assign the Union competences in crucial sectors such as health, energy and social policy (or strengthen those it already has in these fields), establish mechanisms to facilitate decision making and, in particular, abolish unanimity within the Council and the European Council. The European Parliament must be allowed to participate fully in decision making,<sup>9</sup> which means eliminating intergovernmental decision-making methods, and given the power, in particular, to decide on EU revenue. This will mean progressively transforming the Commission into a true government.

These reforms, being of a structural nature, will necessitate modification of the Treaties, and will therefore require the unanimous agreement of the twenty-seven member states.

As already pointed out, enlargement and deepening are closely linked, since enlargement without a simultaneous or preventive transformation of the Union would effectively make the latter's evolution towards a federal form impossible. On the other hand, however, not all the member states would welcome such an evolution and a modification of the Treaties designed to create the embryo of a political Europe.

The need to reconcile enlargement with deepening of the EU makes it necessary to return to the topic of differentiation within the Union, and therefore to the prospect of different speeds of integration and, in particular, the creation of the hard core of a political union within the single market.

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<sup>9</sup> On this point, cf., for all, T. Gierich, *How to Reconcile the Forces of Enlargement and Consolidation in "an Ever Closer Union"*, in T. Gierich, D.C. Schmitt, S. Zeitmann (eds.), *Flexibility in the EU and Beyond. How Much Differentiation can European Integration Bear?*, Baden-Baden, Nomos Hart, 2017, pp. 17 ff., pp. 24 and 48.

*The Link Between the Different Policies.*

The issue on which I would like to focus, taking two basic considerations as my starting point, is the form that this differentiation should take.

The first basic consideration concerns the close links between the sectors in which there has emerged the need to strengthen the Union and make it capable of acting. A European defence is unthinkable without a European foreign policy and a European industrial policy; these policies in turn require resources, and therefore financial autonomy for the Union, and a Commission accountable to the European Parliament and able to adopt political decisions without depending on an agreement in the European Council. The same consideration applies to energy policy, closely linked to foreign and security policy and industrial policy, and also to social policy, which cannot be conceived in the absence of a true federal budget.

Essentially, if the aim is to make Europe effective and capable of asserting itself as an international player, there can be no seeking separate solutions for the various sectors and no thoughts of a Europe *à la carte* in which each state decides which sectors it wants to participate in. This is because, ultimately, the ability to act in *each* of these sectors depends on the creation of closer union in *all* of them.

In the face of this need for closer union in all sectors, recourse may be had to enhanced cooperation, the only more broadly applicable instrument of differentiation offered by the Treaties. This mechanism allows a group of at least nine states to advance more rapidly in certain sectors in which the Union does not have exclusive competence, provided they have been authorised to do so by the Council, and providing the Treaties and Union law, as well as the rights and obligations of non-participating states, are respected.

But precisely because the enhanced cooperation mechanism is designed to refer to specific sectors, and gives rise to the creation of different groups of states that cooperate more closely in these areas, it fails respond meet the need, just highlighted, for closer union in all sectors. What is more, even in cases where enhanced cooperation has been adopted in various, similar sectors, and should in theory therefore embrace the interests of the same group of states (as in the case of the regulation implementing enhanced cooperation in the area of jurisdiction, applicable law and the recognition and enforcement of decisions in matters of matrimonial property regimes, and the one implementing enhanced cooperation in the area of the law applicable to divorce

and legal separation), the participating states are not always the same ones.<sup>10</sup> Indeed, as has been noted, enhanced cooperation is based on case-by-case compromises and not on a common overall understanding of what differentiation means.<sup>11</sup>

### *Differentiation and Features of the Sectors Considered.*

The second important consideration to make is that the question of integration, in a federal sense, today involves sectors close to the heart of state sovereignty, and concerns matters that often have what the doctrine would term “redistributive”<sup>12</sup> implications, a circumstance that increases the need for forms of differentiation other than the *à la carte* or enhanced cooperation variety.

If, as we have underlined, these matters are indeed closely linked to each other and therefore require an effective Union equipped with the capacity, within its sphere of competence, to express a common will and act independently of the member states, then the mechanism of enhanced cooperation is inappropriate, because it presupposes the maintenance of the existing institutional structure.<sup>13</sup>

Furthermore, in the absence of a political union, the application of forms of enhanced cooperation, i.e., forms of differentiation inserted into the existing institutional structure and limited to individual sectors, can only have destructive effects or prove ineffective. Let us take the example of the rule of law: an enhanced cooperation initiative aimed at strengthening the member states’ compliance with the rule of law and at enhancing the tools available to the European institutions for monitoring the same would certainly attract and involve only those states in which the level of compliance with the rule of law is already high, while those in which it is not respected, or is respected

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<sup>10</sup> On this point, cf. R. Böttner, *The Development of Flexible Integration in EC/EU Practice*, in T. Giegerich, D.C. Schmitt, S. Zeitmann (eds.), *Flexibility in the EU and Beyond*. ..., *op. cit.*, p. 81.

<sup>11</sup> *Ibid.*, p. 83. To overcome this limit of enhanced cooperation, Art. 10 of the Fiscal Compact provides that the states parties to this treaty “stand ready to make active use, whenever appropriate and necessary, of measures (...) of enhanced cooperation (...) on matters that are essential for the proper functioning of the euro area, without undermining the internal market”, thus anticipating the possibility of the same group of states giving rise to multiple enhanced cooperations.

<sup>12</sup> In this sense, cf. F. Schimmelfenning, *The Conference on the Future of Europe and EU Reform: Limits of Differentiated Integration*, European Papers, 5 n. 2 (2020), p. 996 ff., <https://www.europeanpapers.eu/en/e-journal/conference-future-europe-limits-differentiated-integration>.

<sup>13</sup> According to Art. 326 TFEU, “Any enhanced cooperation shall comply with the Treaties and Union law.”.

less, would have no interest in participating. The enhanced cooperation would therefore be ineffective. The same would apply to efforts to tackle migration policy, risk sharing and taxation. In the first case, any enhanced cooperation would clearly only be agreed between states subject to the strongest migratory pressures, and this would of course undermine the effectiveness of any measures on the distribution of migrants between the member states. A similar scenario can be envisaged with regard to the (already authorised) enhanced cooperation on a financial transaction tax, on which, for years now, it has been impossible to find an agreement between the participating states.<sup>14</sup> After all, should some states decide to enter into this enhanced cooperation, designed to institute a new tax, this would only encourage the companies required to pay the tax to relocate to states that have chosen not to participate in the cooperation, and the measure would thus be rendered ineffective; alternatively, were its application to be extended also to subjects established in external states, this would clearly impinge on the rights of non-participating states, a circumstance prohibited by the provisions on enhanced cooperation.

On the other hand, in a situation characterised by closer political integration of a core group of states, these problems would be overcome. Taking, again, the example of the proposed tax on financial transactions, the disadvantage for a company of being based in a state that belongs to this core group, and therefore obliged to pay this tax, would be offset by the existence of a federal budget able to guarantee stability and investments and to compensate for tax competition phenomena.

### *The Outlook for the Federal Core.*

What is clear, therefore, is that it needs to be the *same* group of states proceeding towards greater integration in all the sectors mentioned above, and giving life to the core of a political union. Only in this way will it be possible to meet the needs of a Europe capable of acting internally and internationally in the areas herein highlighted. The only form of differentiation compatible with the objective of reconciling enlargement and deepening of the EU therefore seems to be the vanguard formula, or, put another way, a Europe of concentric circles, along the lines of the model used to create economic and monetary union.

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<sup>14</sup> Moreover, with the withdrawal of Estonia, the number of states participating in this cooperation has fallen from eleven to ten.

The working of the institutions remains an open problem, but the solution most compatible with the maintenance of the Union and the creation of a political core within it would seem to be that of keeping the current institutions and allowing them to function in a variable geometry mode.<sup>15</sup>

As for the process by which this result may be achieved, were no agreement to be reached on a Treaty reform providing for different levels of integration, the states intending to pursue the creation of a federal core would have no choice but to enter into a separate treaty of their own.

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<sup>15</sup> On this point and in relation to the composition of the EP, cf., for all, M. Heermann, D. Leuffen, *No Representation Without Integration! Why Differentiated Integration Challenges the Composition of the European Parliament*, *Journal of Common Market Studies*, 58 n. 4 (2020), pp. 1019 ff., <https://onlinelibrary.wiley.com/doi/full/10.1111/jcms.13015>.

# Notes

## THE RETURN OF THE TRAGIC SIDE OF HISTORY

*À ce retour brutal du tragique dans l'Histoire,  
nous nous devons de répondre  
par des décisions historiques.<sup>1</sup>*

With Russia's invasion of Ukraine, the world has been plunged back into a reality shaped by a very precise concept of international relations: that of power politics, which holds that the national interest is not just paramount, but indeed so overwhelmingly important that protecting it can and must entail threats and reactions, economic if not necessarily bellicose. This is what immediately transpires, in the direst form imaginable, from recent declarations by the President of the Russian Federation: "Whoever tries to hinder us, and even more so to create threats for our country, for our people, should know that Russia's response will be immediate and will lead you to such consequences that you have never experienced in your history."<sup>2</sup>

While the invasion of Ukraine has undoubtedly led to an exacerbation of this concept, it has to be acknowledged that this mindset, albeit manifested in different ways, is now spreading to leaders across the entire spectrum of political players involved in the resulting scenario. We need only consider, for example, some of President Biden's remarks in response to the situation: "He thought [Putin] the West and NATO wouldn't respond. And he thought he could divide us at home. Putin was wrong. We were ready. (...) Let me be clear, our forces are not engaged and will not engage in conflict with Russian forces in Ukraine.

<sup>1</sup> Emmanuel Macron, *Address to the Nation*, 2/03/2022, <https://www.elysee.fr/emmanuel-macron/2022/03/02/adresse-aux-francais-ukraine>.

<sup>2</sup> Full text: *Putin's declaration of war on Ukraine*, The Spectator, 24/02/2022, <https://www.spectator.co.uk/article/full-text-putin-s-declaration-of-war-on-ukraine>.



Our forces are not going to Europe to fight in Ukraine, but to defend our NATO Allies – in the event that Putin decides to keep moving west. For that purpose, we’ve mobilised American ground forces, air squadrons, and ship deployments to protect NATO countries including Poland, Romania, Latvia, Lithuania, and Estonia.”<sup>3</sup>

This claim is further supported by the speech given by President von der Leyen before the European Parliament plenary on 1 March, 2022: “This is a moment of truth for Europe. Let me quote the editorial of one Ukrainian newspaper, the *Kyiv Independent*, published just hours before the invasion began: ‘This is not just about Ukraine. It is a clash of two worlds, two polar sets of values.’ They are so right. This is a clash between the rule of law and the rule of the gun; between democracies and autocracies; between a rules-based order and a world of naked aggression. How we respond today to what Russia is doing will determine the future of the international system. The destiny of Ukraine is at stake, but our own fate also lies in the balance. We must show the power that lies in our democracies; we must show the power of people that choose their independent paths, freely and democratically. This is our show of force.”<sup>4</sup>

Obviously, the declarations made by these leaders and the concrete measures taken in response to Russia’s aggression differ from and cannot be compared, in either a political or a moral sense, to the ideological positions and the military decisions adopted by the Kremlin. This, however, does not prevent them from falling into the trap of power politics, meaning a mechanism that, once triggered, inevitably sees all the players involved reacting to events with aggressive measures and issuing threats in response to those received.

The resurgence of power politics is closely linked to a strong revival of nationalist rhetoric. Nowhere is this more dramatically manifested than in the ideological motivations driving the Russia’s aggression, which amount to a violent manipulation of historical facts and historical memory; and yet, in this case, too, we have to expect to see its influences spreading spontaneously across borders and contaminating not only the country that has been directly attacked, but also its allies, not to mention the world’s horrified onlookers. The neoliberal post-Cold War

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<sup>3</sup> *Remarks of President Joe Biden – State of the Union Address As Prepared for Delivery*, 1/03/2022, <https://www.whitehouse.gov/briefing-room/speeches-remarks/2022/03/01/remarks-of-president-joe-biden-state-of-the-union-address-as-delivered>.

<sup>4</sup> *Speech by President von der Leyen at the European Parliament Plenary on the Russian aggression against Ukraine*, 1/03/2022, [https://ec.europa.eu/commission/press-corner/detail/en/SPEECH\\_22\\_1483](https://ec.europa.eu/commission/press-corner/detail/en/SPEECH_22_1483).

model now seems to have been swept away, and with it the principle of deterrence. Indeed, the nuclear threat now seems to have ceased being a terrifying sword of Damocles useful, paradoxically, for moderating international conflicts; instead, it has been turned into an instrument of war that is used with reasonable confidence that there will be no external intervention, at least on a military level. To be precise, what we witnessing is not the return of history *tout court*, but the return, to continental Europe, of the *tragic* side of history.

If one can, for a moment, to look beyond the acts of war that, as I write, are continuing to shock the world, so as to be able to see things from broader, long-term perspective, it becomes apparent that a pernicious process is under way that is redefining the balance and rearranging the distribution of power among the world's various political actors. The fact is that a clear understanding of the causes of this process and its possible outcomes can really only be reached through in-depth analysis and expensive, interdisciplinary research, as well as longer observation of the unfolding of the phenomenon itself.

Nevertheless, in my view, three key aspects can already be identified: i) the gradual erosion, as a result of endogenous and exogenous crisis factors, of the USA's ability to be keepers of the international order; ii) the progressive growth of political and/or economic influence exerted by *de facto* non-aligned with the West (e.g. China and Russia); iii) the impasse that is preventing the process of European integration from culmination in the formation of a fully political union able to fill an increasingly evident power vacuum.

In the face of disorder, power vacuums and changing international balances, and therefore of new threats and opportunities (depending on one's perspective), divergent ambitions emerge and the logic of division and of power politics increasingly finds fertile ground. And it is important to view the war that is currently shaking the world in the light of this profound process. Putin's appalling audacity is not born from a sense of duty to pursue the goal of national reunification; nor do his actions really stem from the absurd and deplorable idea of "de-nazifying" the Ukrainian government, or the desire to counter the pro-Western tendency that has emerged in recent years in a region that has always traditionally fallen within the Russian sphere of influence. The Russian president's brazen actions stem, rather, from the fact that he recognises the precariousness of the old order, led by NATO, and grasps, quite correctly, the existence of a huge political weakness at the heart of Europe.

This is an unfolding scenario. It is impossible to predict the effects

of the turbulence that is currently manifesting itself in a tragic way in Ukraine, and could have terrible repercussions elsewhere. That said, I would argue that an understanding, albeit partial and transitory, of the situation can nevertheless be built on the basis of awareness and acceptance of two facts. The first is the erosion of the US-led unipolar world. The second is that the West's capacity to help define and establish a new stable (inevitably multipolar) world balance and peaceful international relations will depend, to a large extent, on Europe's readiness to make the decisive federal leap. This means its readiness to establish itself as a power for peace, using its political and diplomatic weight, which is of course also directly proportional to its military capacity, to establish, together with the other global players, a new balance. In so doing they will be able, together, to resume the long and non-linear process of building a world that, in the face of ever greater material interdependence, recognises the need to impose more stringent rules, in order to avoid tipping into chaos once again.

Opportunely, the Conference on the Future of Europe has anticipated this need. This ground-breaking exercise in supranational participatory democracy has resulted in clear calls, further legitimised by the dramatic developments of recent weeks, for more European democracy, democratic mechanisms for defining EU policy, and more effective European institutions with a greater capacity to act.

In the present deeply tragic and crucial historical phase, these calls simply cannot be allowed to go unheeded. Instead, these demands must be embraced and realised through concrete reforms that will lead to the birth of a true democratic and sovereign Europe, for the sake of Europe's future, and that of the world!

8 April 2022

*Andrea Apollonio*

## RUSSIA FROM GORBACHEV TO PUTIN

When Mikhail Gorbachev became president of the USSR in 1985, the world began observing the policy of the new Soviet leader with great curiosity but, at the same time, with some mistrust. Had the USSR really changed? Was this really the start of a new political phase that would bring the Cold War years to an end? Gorbachev's assumption of the leadership of the Communist Party and the country, which constituted a real turning point, was the culmination of a profound crisis that Russia had been going through both internally and abroad. The arms race imposed by the US presidency under Ronald Reagan — the US president had even gone so far as to talk of a possible space shield to counter any aggression — was bleeding Russia's depleted finances dry, while its continued occupation of Afghanistan was proving to be a disaster, both military and political. The number of war dead and the high number of those wounded (about half a million) plunged the regime into a crisis of credibility, and triggered protests in the streets by the families of the victims. All this explains the decision, an epochal turning point, to elect a relatively young man, by Soviet standards, to lead the country.

Gorbachev embarked on the campaign of renewal that gave rise to what is known as the era of *perestroika* (restructuring) and *glasnost* (transparency). Although it turned out to be a very brief era, lasting just six years, it nevertheless completely upset the world balance, culminating in the dissolution of the USSR. Gorbachev's policy had contrasting effects: although met with wide acclaim in the international arena, it failed to eliminate the persistent shadow of fear and suspicion in the West; internally, the desired renewal led to the country's fragmentation, and failed to overcome the endemic problems linked to corruption, and to the serious backwardness, in both the economic and industrial fields, that was responsible for widespread poverty in the country. In a bold move, Gorbachev, in 1988, ended the occupation of Afghanistan, thus interrupting the sanctions that the West had used against the USSR ever since its 1979 invasion of the country. Moreover, he chose not to intervene to counter the popular protests against

the communist regimes that were taking place in Poland and Romania, and effectively took the pressure off Russia's neighbouring allies. He did not oppose the first US-led Gulf War in 1991, and indeed launched himself into a series of bilateral meetings with the US president Reagan (Geneva, November 1985, and Reykjavík, October 1986) and then with his successor Bush (Malta, December 1989). He also visited the United States (November 1987) to support an arms reduction campaign<sup>1</sup> and demonstrate a readiness to start new peaceful relations with his country's old antagonist. There were also numerous meetings with European leaders, organised with the aim of encouraging a rapprochement of the then European Community with the new USSR. All this explains his Common European Home vision, which he set out on several occasions until the drafting of the *Charter of Paris for a New Europe* in November 1990. These efforts to bring about a rapprochement with the West were received with great interest, but a shadow nevertheless persisted. In other words, there remained some doubt as to whether the USSR really was capable of putting an end to the political and military confrontation. This difficult dialogue with Western institutions and governments is recalled by Gorbachev's economic adviser and close collaborator Ivan Ivanov,<sup>2</sup> who well describes how difficult it was communicating with the European and international institutions and getting them to understand the considerable endeavour involved in pursuing *perestroika*. This incomprehension is further illustrated by Gorbachev's failure to get the USSR granted entry into the IMF in 1986. The West resorted to technicalities to justify this decision, but it was really attributable to residual political hostility.<sup>3</sup> Paradoxically, in 1998, when the USSR no longer existed, Yeltsin's Russia was accepted into the IMF, even though by that time the country was on the brink of default.

### *The Common European Home.*

The Western world greeted Gorbachev with great enthusiasm when, in July 1987, he addressed a meeting of the Council of Europe in Strasbourg, which for the occasion was exceptionally attended by the MEPs. In his speech he recalled an important principle regarding respect for

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<sup>1</sup> *START 1 (Strategic Arms Reduction Treaty), and Intermediate-Range Nuclear Forces (INF) Treaty.*

<sup>2</sup> I. Ivanov, *Perestrojka e mercato globale*, Milan, IPSOA Scuola d'impresa, 1989, pp. 33-76.

<sup>3</sup> M. Ruffolo, *L'URSS vuole entrare nel FMI*, La Repubblica, 17 August 1986.

national sovereignty, repeatedly violated in the past by the USSR,<sup>4</sup> stating that: “The idea of European unification should be collectively thought over once again (...) any attempts to limit the sovereignty of states — whether of friends and allies or anybody else — are inadmissible”.<sup>5</sup> It was a new doctrine that favoured openness to political compromises, and even to forms of liberalisation, and was therefore in complete contrast to the traditional Soviet theories that has been espoused by Mikhail Suslov, who had advocated for armed intervention should any of Moscow’s allies move away from its political leadership. Gorbachev’s Strasbourg speech was undoubtedly important, but the one he gave on August 1, before the Supreme Soviet, was even more significant. By indicating a turning point and throwing down a challenge to his opponents within the Party before the body most representative of Soviet identity, Gorbachev showed immense courage. On the subject of world politics, he talked of the inadmissibility and absurdity of settling problems and conflicts between states through war; the priority of universal values; freedom of choice; the reduction of armaments and the overcoming of military confrontation; the need for economic cooperation between East and West and the internationalisation of ecological efforts; and the correlation between politics and ethics. He went on to point out that each people autonomously decides the fate of its own country and chooses the system and regime it prefers and no one can, under any pretext, interfere from outside and impose their conceptions on another country.<sup>6</sup>

His opponents criticised him for these overtures, convinced that they would lead to the USSR’s dissolution. For them, making concessions to allies, opening up to dialogue with the USA and the West, favouring forms of liberalisation, and ending the centralism of Moscow meant throwing the regime into crisis.<sup>7</sup> Nevertheless, in line with these new choices, the USSR opted not to intervene to repress anti-communist protests in the various Warsaw Pact countries, and went so far as to accept the demolition of the Berlin Wall in November

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<sup>4</sup> One need only think of the Soviet interventions in Hungary (1956), Czechoslovakia (1968) and Afghanistan (1979).

<sup>5</sup> *Speech by Mikhail Gorbachev to the Council of Europe in Strasbourg, “Europe as a Common Home”*, July 6, 1989, Wilson Center, Digital Archive, <https://digitalarchive.wilsoncenter.org/document/speech-mikhail-gorbachev-council-europe-strasbourg-europe-common-home>.

<sup>6</sup> M. Gorbachev, *La Casa Comune Europea*, Milan, Mondadori, 1989, p. 193.

<sup>7</sup> C. De Carlo, *Le riforme in un regime sono i primi sintomi di un imminente crollo*, QN, 6 December 2022.

1989, thus initiating German reunification. These choices earned Gorbachev the 1990 Nobel Peace Prize. This was the height of *perestroika*, but it was also the start of Gorbachev's downward spiral. His reformism pleased neither Party conservatives nor radical progressives, and his idea that reform could be brought about without dismantling the apparatus of state came up against harsh reality. The reformist effort that was proving so successful in other countries did not find, in Russia, valid support from the Western world, which failed to guarantee the country the political, economic and financial support it needed, choosing instead to stand by and watch, somewhat complacently, the disintegration of the USSR, without ever considering its possible consequences. In May 1990, Yeltsin, in the speech marking his election as Chairman of the Supreme Soviet of the Russian Republic, called for full sovereignty of the Russian Republic vis-à-vis the other 14 republics that together formed the USSR. This move was made possible by the Soviet constitution itself, which recognised the Soviet republics as sovereign states with the right to separate from the Union, despite the strongly centralised powers that Moscow had wielded up until that point. *Perestroika*, as Gorbachev himself wrote, was aimed at making the individual republics autonomous, thus creating a true federation.<sup>8</sup> It was around this time that Yeltsin resigned from the CPSU, declaring that the old system had collapsed before the new one had started to work, making the social crisis even more acute, but at the same time adding that radical changes in such a vast country could never be painless, or free of difficulties and upheavals. The challenge to Gorbachev, who advocated "reform without destruction" was thus launched. Gorbachev's weakness was even more evident following his kidnapping in August 1991 by a military group nostalgic for the old order.<sup>9</sup> The coup failed miserably: Yeltsin, by mobilising popular support, managed to secure the release of Gorbachev, who from that moment on was a largely marginalised figure. Yeltsin's success against the coup won him the full support of Western leaders, and Gorbachev became yesterday's news.

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<sup>8</sup> M. Gorbachev, *What Is at Stake Now: My Appeal for Peace and Freedom*, Jessica Spengler (Translator), Oboken, N.J., Wiley, 2020. The fact that Gorbachev continued to experience difficulties in his home country even in recent years is shown by the fact that this book was not published in Russia. Instead, it was first published in German in 2019, entitled *Was jetzt auf dem Spiel steht*.

<sup>9</sup> It is worth remembering how one of the insurrectionists, then an army major, suffered no consequences for his insubordination. He continued his military career and Putin, in the summer of 2022, appointed him Commander in Chief of the Russian army in the so-called special operation against Ukraine: General Surovikin.

*So Little Road Travelled, so Many Mistakes Made.*<sup>10</sup>

Yeltsin's rise marked a turning point that would ultimately change the face of Russia and beyond. In the space of just a few months in 1991, the USSR dissolved and 14 republics, following the example of Yeltsin in the Russian Republic, declared their independence and sovereignty. At the same time, Yeltsin announced the dissolution of the Warsaw Pact that had bound, to each other and to the USSR, the Eastern European countries that had been liberated by the Red Army during the Second World War. These acts marked the fall of the communist regimes in those countries. The final act sanctioning the end of the USSR took place on the night of December 25 when Gorbachev resigned and transferred his powers to Yeltsin. On live TV the red hammer and sickle flag was lowered by the Kremlin and the Russian tricolour dating back to the Tsarist era was hoisted in its place. Russia thus entered a period of political turmoil, in which its foreign policy was abandoned due to internal conflicts that forced it to turn in on itself; the same applied to the new republics, too, which found themselves grappling with the drafting of new constitutions, the definition of borders, the division of the Treasury of the Central Bank, and the even more dramatic division of the Soviet armaments, nuclear ones included. It took many years to draw the new face of Russia which, under Yeltsin, embraced the free market for which, after more than seventy years with a state-controlled economy, it was actually totally unprepared.

The dissolution of the Soviet empire broke the fragile global balance, leaving the USA as the only remaining superpower. And from that moment on, the USA, in its bid, often unsuccessful, to police the international order, began intervening in numerous hotbeds of war and tension. Those years saw two other important developments: China's rise as an economic power, which would soon see it also assuming a political leadership role, and the entry into force of the Maastricht Treaty, which transformed the European Community into a Union. This reference to Maastricht is important, because for Europe this event marked an epochal transition. However, as Europe's relations with Russia demonstrated, the Treaty was somehow incomplete, failing for example to assign the Union competences in the fields of for-

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<sup>10</sup> S.A. Esenin, Russian poet, quoted in V. Salamov (2018), *Kolyma Stories*. New York: New York Review Books; V. Shalamov (2020). *Sketches of the Criminal World: Further Kolyma Stories*. New York: New York Review Books. Salamov's work describes his experience in the gulags in the 1950s and anticipates by a few years the better-known work by A. Solzhenitsyn, *The Gulag Archipelago*.



oreign policy, defence and industrial policy, and the effects of this are still being felt today. As Russia, in passing from a state economy to a free market one, went through a profound institutional and political upheaval, the European Union failed to step in and develop and propose the common economic and financial policy that would have lent the new Russia indispensable support. Any initiatives taken were in fact left to the individual EU member states, with Germany leading the way. This weakness on the part of the EU was exposed during the dramatic crisis in Yugoslavia whose dissolution, in 1991, was another consequence of the collapse of the USSR; as, indeed, it was when the EU claimed to be in a position to play a role in the crisis in Libya. In reality, it was in no such position and, as had already occurred in Yugoslavia, the USA had to be asked to intervene. This intervention, too, was unsuccessful, and the Libyan question remains unresolved to this day. In short, the EU relied on the USA to manage international crises (for example in Iraq and Afghanistan), and supported and even encouraged the eastward enlargement of NATO to the old Soviet satellite states (Poland was the first to join), before expanding in this same direction itself.<sup>11</sup> The failure to involve Russia in the EU and NATO's eastward enlargement generated a series of misunderstandings that, over time, favoured a growing rapprochement between Moscow and Beijing, as well as a strengthening, in nationalist and extremist circles in Russia, of the idea that the country was being progressively surrounded by the West. Gorbachev himself, while critical of the leaderships that followed him, was also highly critical of the USA for its conviction that only domination and a unilateral approach could guarantee America a leading role in world politics.<sup>12</sup> While Americans regarded Russia's fragility in the 1990s as confirmation of the success of US foreign policy, and the weak EU meekly supported US choices, China became the first country to show political openness towards Moscow: the old rivalry over whether Russia or China should be considered the legitimate leader of communism in the world had by now been consigned to the past. In making its overtures to Russia, China was certainly not disinterested, of course; it was seeking, rather, to exploit the EU's lack of substance, and the USA's determination

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<sup>11</sup> NATO's expansion to the East began in 1999, and in 2004 all the former Warsaw Pact countries joined the organisation. The EU, on the other hand, began expanding towards the East in 2004 and in 2007 all former satellite countries of the USSR became full members of the Union. This enlargement to the East undoubtedly favoured the consolidation of democracy in those countries.

<sup>12</sup> M. Gorbachev, *What Is at Stake Now...*, *op. cit.*.

to keep its giant adversary of the past, for as long as possible, in a position of weakness.

This explains how it came about that, in 1996, Beijing promoted the creation of the Shanghai Five group (now the Shanghai Cooperation Organisation, SCO), with the aim of involving Russia and some Asian republics of the former USSR. The idea was that the organisation should foster cooperation in the economic and military fields to counter the separatism and terrorism that was dogging Central Asia in those years. It was the first step in a rapprochement that subsequently led to a strengthening of relations in the economic and military fields between Beijing and Moscow. The initiative had a clear purpose: to favour China's role in Asia at the expense of the USA and a weakened Russia. In view of what was happening in the Caucasian region with the war in Chechnya, it was also a means of guaranteeing territorial unity on China's borders, so as to prevent the emergence there of separatist pressures of a political, ethnic and religious nature.<sup>13</sup>

In August 1998, as a consequence of the war in Chechnya and the dire financial situation linked to Russia's struggle to manage the transition to a free market economy, the country's Central Bank was forced to declare the country bankrupt; in a scenario reminiscent of the Weimar economic crisis, the rouble had lost all its value and prices were changing by the hour, leaving the people having to resort to bartering.

At that point, with Yeltsin seriously ill, the reins of government passed, the following year, to his heir apparent: Vladimir Putin. That same year, Russia became a full member of the IMF. The USA and the EU had stood by and watched Russia's complete meltdown without ever intervening, and this fact would not be forgotten.

### *Refusal to Forget.*

Because of the events and circumstances surrounding the dissolution of the USSR, Putin, in public speeches, repeatedly said that he could not forget what he saw as the West's outrageous and provocative attitude in recent years.<sup>14</sup> Nevertheless, as president, he focused initially on restoring order internally, immediately showing that he was prepared to harshly repel possible opponents. He resumed the war in Chechnya, which he brought to a bloody end in 2009. His actions rein-

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<sup>13</sup> Cf. S. Spoltore, *Russia and China United in Pursuit of a New World Order*, *The Federalist*, 63 (2021), p. 48.

<sup>14</sup> For example: Askanews, *Putin: io non dimentico*, 3 December 2015. More recently: *Lettera di Putin ai russi*, intopic.it, 19 June 2020.

forced his image as a hard man, although this image was cemented only after a number of attacks that shocked Russian public opinion.<sup>15</sup> There grew up around him a circle of so-called oligarchs, who were none other than the former officials who had previously controlled state-owned companies on behalf of the Communist Party. Following the collapse of the Soviet Union, these individuals, men with no particular talent or managerial ability, found themselves directly in charge of the various industries, able to assume control of them purely because they had been part of the old state apparatus. Loyalty to the new president helped these “oligarchs” to accumulate vast wealth; anyone who did not support the new regime that was taking shape risked their lives, or prison, and this is a situation that persists to this day.

If Putin’s first objective was to restore order internally and start new relations with the ex-Soviet republics, now independent nations, his second was to bring Russia back into the international arena. Even though this would take time, his intentions were already perfectly clear when he addressed the Munich Security Conference in February 2007.<sup>16</sup> Putin’s argument at that time was that the world had changed, making the criteria established after the Second World War inapplicable, even in relations with allies. With the birth of new centres of power, new dangers were appearing in the world, making it necessary to create a new situation. Otherwise, new conflicts would undoubtedly emerge.

Expressed at a time when Russia was still waging the war in Chechnya, this was a strong position, and one that indicated a readiness to return to the role of a superpower. Putin was also scathing towards Europe’s foreign ministers, whom he bluntly accused of subservience to the decisions of NATO and the United States.

The period between 1985 and the start of the new millennium must therefore go down as that in which the Europeans wasted the chance to mount a common political and industrial action in support of Russia — a wounded “bear” that was crying out for help, and a country that, given its continental dimensions, enormous natural riches, and almost 150 million-strong population, was always destined, before long, to return to the fore and resume its role on the international stage.<sup>17</sup> Russia’s full

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<sup>15</sup> The most shocking case was the action ordered to break the siege by a Chechen commando at the Dubrovka Theatre (October 26, 2002). The resulting operation led to the elimination of the 39-strong commando, but also saw 129 hostages killed in the clash by special units sent from Moscow on Putin’s orders.

<sup>16</sup> <http://en.kremlin.ru/events/president/transcripts/copy/24034>.

<sup>17</sup> Cf. F. Rossolillo, *The Ukraine and the Global Equilibrium*, *The Federalist*, 57 n.1 (2005), p. 31.

return to international politics came with the Ukrainian crisis at the end of 2013 when the Ukrainian government led by President Yanukovych refused to sign an association agreement with the EU, preferring instead an economic agreement proposed by Putin, which provided USD 300 billion in financial aid. Such provision of aid was not contemplated by the EU, even though it was known that Ukraine was on the brink of default, with its Central Bank clearly unable to meet an IMF repayment due in the spring of 2014. We are all familiar with the events that unfolded in Ukraine after that. Under the pressure of popular protests, in which the majority were calling for the start of association with the EU and accusing the government of selling out to Russia, the incumbent government was forced to flee. During the demonstrations there were multiple clashes and attacks resulting in numerous victims; meanwhile, with Russian support, part of the Donbass region proclaimed its independence from Kyiv and created the People's Republics of Lugansk and Donetsk. Putin milked this crisis: he accused the West of instigating the fall of the regional government, and ensured that the secessionists of Donbass, the country's richest region, were kept supplied with financial and military aid. In 2014, Putin, emboldened by his strong position, backed the secessionist referendum in Crimea, which resulted in that country becoming a member of the Russian Federation once more. At this point, there began a silent war between the new and generally pro-Western government in Kyiv and the pro-Russian secessionist region of Ukraine. The West responded to these developments by issuing its first sanctions against Russia. Subsequently, in February 2022, the situation in the region precipitated with the start of Russia's "special operation", desired and launched by Putin as a means of preventing Ukraine from joining the EU or NATO, which at the time was also considering granting entry to Georgia and Moldova, two other nations that were once part of the USSR.

The war in Ukraine raises numerous considerations that deserve to be explored in depth, because the ongoing conflict changes the whole world balance. Basically, this is no longer just a matter of Russia demanding to play a key role on the world stage, and of Ukraine striving to defend its sovereignty. It is about much more than that. What has become clear, once again, is that global politics knows no boundaries. And just as Gorbachev predicted in a 2019 book, in which he asks how all this could possibly have come about,<sup>18</sup> Europe has clearly become a global political hotspot.

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<sup>18</sup> M. Gorbachev, *What Is at Stake Now...*, *op. cit.*.

Gorbachev answers his own question, arguing that the events rocking Ukraine can be traced back to the choices made by the Europeans during the 1990s. As the present essay has sought to underline, the eastward enlargements of the EU and NATO have certainly succeeded in strengthening the West and weakening Russia, but unfortunately, alongside this, no policy has ever been activated to give Moscow guarantees, and above all tangible aid. While, on the one hand, the USA's attitude was and remains understandable, its ultimate aim, always and in any case, being to weaken Russia, the EU on the other hand is guilty of failing to play any kind of mediatory role, even though there has seemed, and still seems to be, room for action of this kind, which has now become more necessary than ever, both politically and economically. The ability to act, however, depends on the existence of a political authority offering direction. It is therefore no coincidence that the current war in Ukraine is completely laying bare the delays that the EU has accumulated over time. Europe, with no government, and faced with a war on its doorstep, now finds itself forced to confront its powerlessness in strategic sectors such as foreign and defence policy, energy and industrial policy. The EU is indeed fragile and, in many ways, impotent. But, at the same time, the war is also exposing the fragility of Putin's Russia, which, in spite of all the bombastic and bellicose utterances, is undoubtedly weak. The war is showing how a superpower, when its mighty army is badly led and its level of technological capability is inferior to that of an opponent that is supplied with arms from the West, can see its credibility crumble in a matter of weeks. In short, while Russia can certainly be considered a superpower in terms of the extent of its manpower and means, it is weak in terms of intelligence and new technologies. Without pausing here to analyse the course of the war or dwell on the unquestionably despicable nature of the aggression launched by Putin, the succession of six different army commanders-in-chief in the space of a few months, and the need to forcibly recruit over 300,000 young people to fight, are clearly signs of the difficulties thrown up by what had had been meant to be a lightning war, but is actually proving to be a far more protracted struggle. Here is not the place to evaluate the course of the war from a military perspective, also because the scenarios could change rapidly should the conflict extend to Belarus, or should the internal political situation in Russia or Ukraine somehow precipitate. Generally speaking, there is only one thing we can say for sure: that the war will eventually come to an end, even

though it is impossible to say how, and how long it will be before this moment comes. But when the end does come, it will mark the start of a new phase in which the EU will be called upon to help ensure that Ukraine goes on receiving material aid in order to rebuild following the destruction it has suffered, and in which a new political collaboration will have to be started with Russia. Russia is an integral part of European history and it is unthinkable that it can be isolated forever. The EU needs Russia, and not only because of its vast natural wealth; equally, Russia needs the EU, for two reasons: first it cannot afford to succumb to Chinese flattery as a long-term solution, and second because the beating heart of Russia lies in Europe, not in Asia.

*“We Tried”*.<sup>19</sup>

Here, we have briefly run through the mistakes, due to political limitations and an inability to act, made by the Western world and in particular by the Europeans in the years leading up to the turn of the century. The point now is to ensure that those mistakes are never repeated, and in order to do this the EU needs to intervene where Russia is most fragile and needy. The market economy, industrial policy, agricultural sector and average quality of life in Russia can all be taken as indicators of the country’s fragility. Despite the efforts made since the 1990s to open up to the free market, Russia is not a leading industrial nation.

In the manufacturing industry, Russia depends heavily on imports which, because of the war, are forecast to collapse throughout 2023, impoverishing the country.<sup>20</sup> An indication of the level of poverty in the country was provided by former prime minister Medvedev no less, who, in 2019, declared that 19 million Russians (14 per cent of the population) live below the poverty line.<sup>21</sup> The importance of the energy and mining sector in Russia is well known, and accounts for its largest share of exports. The second leading source of exports is the agricultural sector which employs a workforce of 14 million, but impacts the lives of around 60 million citizens who live in rural areas that only have dirt roads. 45 per cent of these citizens have no drinking water, and 5 per cent no access to a sewerage network. These

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<sup>19</sup> This was Gorbachev’s reply when filmmaker W. Herzog asked him what he would like written on his tombstone. Interview documentary, December 2019.

<sup>20</sup> European Council forecasts indicate a total of € 248bn in 2021, dropping to € 133bn in 2022 and to € 94bn in 2023.

<sup>21</sup> M. Gorbachev, *What Is at Stake Now...*, *op. cit.*.

data are the same today as they were in 1990.<sup>22</sup> The yield per hectare of agricultural land is 10 per cent lower than it is in the EU, a sign of slowness to adopt new scientific discoveries in a sector that is vital not only to Russia. Furthermore, while the quality of life of the Russian citizen today has certainly improved compared with Soviet times, this improvement does not extend to greater health protection. Life expectancy is an indication of a nation's level of development: the longer people live, the higher the country's development. The average lifespan of a man in Russia is 66 years. In the EU it is 20 years longer. Accordingly, in 2018, the Duma's proposal to raise the retirement age from 55 (where it had been stuck since the days of the USSR) to 66 met with violent street protests, which forced Putin to have the bill withdrawn.

In addition to addressing the various economic aspects that impact social ones, Russia will need to find a new role for itself among its neighbouring countries, which were once an integral part of its territory. The initial aggression and the way the Ukraine war has unfolded have weakened the solidarity (sometimes imposed) of the Asian republics with which Russia maintains special economic and military relations. During the first votes in the UN condemning the aggression against Ukraine, these Republics abstained or did not participate,<sup>23</sup> thereby showing solidarity with Putin. Instead, during the meeting between Russia and the Asian republics held in Astana in October 2022, some of the presidents distanced themselves. The President of Tajikistan expressly asked Putin to "show respect" to the former Soviet republics, while the Presidents of Uzbekistan and Kazakhstan expressed their concern that the war was leading to the appearance of a new iron curtain, and called for Ukraine's territorial integrity to be respected.<sup>24</sup> These stances, unthinkable until a few months earlier, are a sign of the difficulties that Putin is having: internally, he is coming under pressure both from the most extremist wing and, at the same time, from the faction more open to compromise,<sup>25</sup> as well as, externally, from Asian countries that are showing signs of distancing themselves

<sup>22</sup> F. Scaglione, *Agricoltura russa, dall'izba alla holding*, Lettera da Mosca, 5 December 2020.

<sup>23</sup> Kazakhstan and Tajikistan abstained while Uzbekistan and Turkmenistan did not participate in the vote.

<sup>24</sup> Cf. D. Cancarini, *Ora che l'Asia Centrale sfida la Russia*, Il Fatto, 22 October 2022; D. Cancarini, *Guerra Russia Ucraina dipendenza da Mosca*, Il Fatto, 13 April 2022.

<sup>25</sup> G. Savino, *Cosa sta succedendo dentro il sistema di potere di Putin*, [www.valigiablu.it](http://www.valigiablu.it), 17 December 2022.

from Moscow in its moment of weakness. Added to all this, China and India are pressing for an end to the conflict. All this adds up to a highly complex setting in which the EU could play a hugely important role. Were Europe, through specific agreements, to put its industrial capabilities and technological know-how in the agricultural and manufacturing sectors at Russia's disposal, this would mark an epochal turning point in its relations with the country. However, it is clear that two conditions must first be met. Putin or his successor will have to show that they are willing to reopen a dialogue with the European countries, while the EU will have to initiate the reforms that will allow it to speak with a single voice. Indeed, without a common foreign and industrial policy, the Union would just run into the old problems once again. It will, of course, be a lengthy process, as the war will leave a lasting trail of resentment and lack of trust. As Europeans, our task in this period is to initiate the EU reforms that will finally give us the political authority whose absence has favoured the mistakes of the past. For a long time, we Europeans have preferred to leave fundamental strategic choices to the USA, choices for which, to a large extent, we are still paying the price. What is more, should the hawks continue to prevail in Russia, preventing a return to reasonableness at the level of the Russian leadership, it would be all the more necessary to address problem of strengthening the government of the European Union. The time has come to make the radical choices that will at least allow us to tell the world: "we tried". Ultimately, this was, and is, the objective indicated by the citizens who took part in the Conference on the Future of Europe.

*Stefano Spoltore*



## **EUROPE'S THIRD CRISIS OF THE SECOND MILLENNIUM: FROM THE "PARALLEL WAR" TO THE EXISTENTIAL CHALLENGE FACING THE EUROPEAN ECONOMY**

### *Introduction.*

There can be no denying that the globalised world that took shape from the 1980s onwards has found itself sorely tested in the first twenty or so years of the new millennium.

We are all part of a global village in which the financial, economic and health crises of one country have rapid and irreversible knock-on effects on the others; it should therefore come as no surprise that recent years have seen the development of serious crises, three to be precise, which have affected all the various continents, Europe in particular.

The first was the financial and then economic and social crisis that exploded in the USA in 2007-8 and lasted, in Europe, until 2014, seriously hitting Portugal, Ireland, Italy, Greece and Spain, to the point of putting these countries at risk of default.

The second was the Covid-19 pandemic, which saw the outbreak of the disease rapidly and dramatically spreading from the initial epicentre of the pandemic in Wuhan to become, throughout 2020 and 2021, a dramatic global problem. It was a shock that quickly turned from a health emergency into an economic crisis (with various supply chain economies paralysed by lockdowns), and also a social one (with the emergence of large swathes of unemployment and new poverty).

The third crisis, of course, is the war triggered by the Kremlin's despicable armed attempt to take control of the whole of Ukrainian territory and thus reach the borders of the European Union.

### *2020-2021: Crisis and Recovery.*

The Covid-19 pandemic has left our continent deeply scarred, primarily because Europe had the highest infection rates, but also because of its severe economic and commercial repercussions, linked to the weakening and even suspension of international manufacturing supply chains. In 2020, both the euro area and the EU recorded dips in GDP:

-6.4 per cent and -5.9 per cent, respectively. In the EU, unemployment topped 16 million, mainly affecting women and young people.

In the same year, Italy's GDP plummeted (-8.9 per cent) and its production and employment system was shaken to its foundations, with 45 per cent of companies facing structural risk and 800,000 fewer on the payroll compared with pre-Covid.

It is thanks to the suspension of the rules of the Stability and Growth Pact and above all to the solidarity between European countries, as well as the huge financial resources mobilised by the ECB and the European Commission (through the Pan-European Guarantee Fund, ESM, SURE programme, Next Generation EU instrument, and so on) that Italy, too, managed to address the health-economic-social crisis and embark on the path of recovery.

And this recovery proved so resilient that, at the end of 2021, Italy saw its GDP recording an increase of 6.3 per cent (versus +5.3 per cent for the rest of the eurozone), and the OECD even picked it out as the new economic "driving force" of Europe. *The Economist* named Italy its "country of the year" for 2021, a recognition awarded "not for the prowess of its footballers, who won Europe's big trophy, nor its pop stars, who won the Eurovision Song Contest," but for the fact that its economy was faring better than those of France and Germany. The prime minister at the time was Mario Draghi.

## *2022: the Outbreak of the Third Crisis.*

On 24 February 2022 there began, in Europe, a crisis the like of which had not been seen for around 80 years: a "humanitarian, security, energy [and] economic crisis" right at the heart of the continent. Against the backdrop of the Russia-Ukraine armed conflict, the words uttered by prime minister Draghi shortly after its start ("we are definitely not in a wartime economy, but we have to prepare") have quickly turned into a stark reality.<sup>1</sup>

Alongside the war on the ground there has unfolded a "parallel war" involving "economic deterrence" in the form of financial, economic and individual sanctions imposed on Russia by the EU and other countries (as a reaction to its aggression against a sovereign and democratic country, and also as a means of hastening an end to the conflict by weakening Russia's war machine) and "economic resistance", as the

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<sup>1</sup> Draghi: "Non siamo in economia di guerra, ma dobbiamo prepararci", [https://video.repubblica.it/dossier/crisi\\_in\\_ukraina\\_la\\_russia\\_il\\_donbass\\_i\\_video/draghi-non-siamo-in-economia-di-guerra-ma-dobbiamo-prepararci/410411/411118](https://video.repubblica.it/dossier/crisi_in_ukraina_la_russia_il_donbass_i_video/draghi-non-siamo-in-economia-di-guerra-ma-dobbiamo-prepararci/410411/411118).

EU countries face (among other measures) energy shortages imposed in retaliation by the Kremlin.

The words of the President of the European Commission, Ursula von der Leyen, are very significant in this regard: “Putin has mobilised his armed forces to wipe out Ukraine from the map. We have mobilised our unique economic power to protect Ukraine. This is also a new chapter in our Union’s history — a new way of putting economic power to counter military power and military aggression, and to defend our most cherished European values.”<sup>2</sup>

It must be borne in mind that this war is not the only factor behind the current economic crisis; in fact, the conflict has turned out to be — together with its consequences — a powerful accelerator of a world economic situation that was already in the making even before it broke out, as some commentators noted as early as 2017.<sup>3</sup>

Essentially, this acceleration of the crisis is due to the energy war that the Kremlin started, in retaliation, against Western Europe, well aware of the latter’s dependence on Russian oil (for 27 per cent of its supplies) and, above all, Russian gas (for about 40 per cent); this dependence is particularly great in the cases of Italy and Germany, which prior to the energy war obtained nearly half of their gas from Gazprom, and Slovakia, Latvia and the Czech Republic, which depended entirely on this source. During the first nine months of 2022, the EU’s deficit in energy trade with Russia amounted to 491.4 billion euros compared with 179.6 billion the previous year.

The predicament of Germany, Europe’s leading economy, which,

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<sup>2</sup> *Speech by President von der Leyen on the occasion of the II Cercle d’Economia Award for the European Construction*, Barcelona, 6 May 2022, [https://ec.europa.eu/commission/presscorner/detail/en/SPEECH\\_22\\_2878](https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_22_2878).

<sup>3</sup> F. Martin, *Perché la crescita continua a rallentare?* Il Sole 24 ore - Econopoly, 15 February 2017, [https://www.econopoly.ilsole24ore.com/2017/02/15/perche-la-crescita-continua-a-rallentare/?refresh\\_ce=1](https://www.econopoly.ilsole24ore.com/2017/02/15/perche-la-crescita-continua-a-rallentare/?refresh_ce=1); F. Daveri, *Economia mondiale: torna lo spettro della crisi?* ISPI, 27 December 2018: “Per il 2019 il Fondo Monetario si attende un rallentamento: Ma la domanda che si pongono tutti gli osservatori è se il ‘rallentamento’ assumerà lo sgradevole aspetto di una crisi mondiale” (“The Monetary Fund is expecting a slowdown on 2019: but the question on all observers’ lips is whether this ‘slowdown’ will start looking unpleasantly like a global crisis”), ISPI, 27 November 2018, <https://www.ispionline.it/it/pubblicazione/economia-mondiale-torna-lo-spettro-della-crisi-21869>; C. Natoli, *Outlook OCSE: economia mondiale in rallentamento anche nel 2020 – I rischi per Germania e Italia*, <https://www.pricepedia.it/it/magazine/article/2019/11/25/outlook-ocse-economia-mondiale-in-rallentamento-anche-nel-2020-i-rischi-per-germania-e-italia/>, 25 November 2019); G. Santevecchi, *Pil Cina, così Xi Jinping ha fatto rallentare l’economia – E’ un rallentamento annunciato, ma ancor più pronunciato del previsto, quello dell’economia cinese. Rallentamento delle logistiche*, Corriere della Sera, 18 October 2021, [https://www.corriere.it/economia/finanza/21\\_ottobre\\_18/cosi-xi-jinping-ha-fatto-rallentare-l-economia-cinese-26c93746-2fed-11ec-9d51-3a373555935d.shtml](https://www.corriere.it/economia/finanza/21_ottobre_18/cosi-xi-jinping-ha-fatto-rallentare-l-economia-cinese-26c93746-2fed-11ec-9d51-3a373555935d.shtml).

having tied itself to Russia for its energy supplies, finds itself hugely exposed and vulnerable to threats, provides a striking illustration of the gravity of the crisis in which EU countries find themselves. German Chancellor Olaf Scholz admitted as much, warning that a gas embargo leading to “the loss of millions of jobs and of factories that would never open again (...) would have major consequences for our country (...) We cannot allow that to happen.”<sup>4</sup> His words were echoed by German industrialists and trade unions: an oil and gas embargo could push inflation into double figures, which would be a nightmare scenario for the Germans, as it would be the first time since the Second World War.

Europe, much more than the other countries active on the “economic deterrence” front, is in the midst of its third crisis of this new millennium, a completely different shock from the previous two because it constitutes a historic watershed, with political, economic and strategic implications that, for the sake of Europe’s very future, demand a change in perspective.

Russia’s retaliation — its progressive reduction of oil and gas supplies, and threat to cut them off altogether as winter approaches, as well as its exponentially rising energy prices — will clearly impact the countries of the EU in various ways, pushing up production costs for businesses, further slowing down production chains, causing inflation to soar and consumption to contract, and leading to more widespread social distress and greater recourse to public spending. This, with the situation likely to gather pace, could jeopardise the stability of the European economy and the social sustainability of European countries.

Economic data from Italy can be taken as an example to illustrate this point: in October 2022 inflation stood at +11.8 per cent (the highest level since 1984; moreover, in 2019 it had been just +0.6 per cent, leading to talk of “deflation” and falling prices), while the cost of groceries had risen to +13.1 per cent. In Italy, the resources set aside for dealing with rising energy prices in 2022 stand at around 60 billion, almost double what Spain has allocated.

And while the data for the third quarter of 2022 offer some comfort, showing the Italian economy recording a 0.5 per cent increase and thus its seventh consecutive quarter with positive GDP growth, a trend attributable to the recovery of tourism (+75 per cent), the industrial and agricultural sectors, both down on the second quarter, continue to require careful monitoring. That fears are centred above all on 2023

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<sup>4</sup> M. Amman and M. Knobbe, *An interview with German Chancellor Olaf Scholz, “There Cannot Be a Nuclear War”*, Spiegel International, 22 aprile 2022, <https://www.spiegel.de/international/germany/interview-with-german-chancellor-olaf-scholz-there-cannot-be-a-nuclear-war-a-d9705006-23c9-4ecc-9268-ded40edf90f9>.

was borne out by Bank of Italy governor Ignazio Visco's talk of "great uncertainty" and a need for caution dictated by "the danger that the deterioration in the economic outlook may prove worse than expected". This "uncertainty" is reflected in Confindustria's *Congiuntura flash* bulletin of 6 November: "in the 4<sup>th</sup> quarter there is the risk of a decline: the qualitative indicators, overall, are negative; the price of gas has remained high, for too many months; the resulting inflation (+11.8 per cent annually) is eroding household incomes and savings and will have a negative impact on consumption; and the rise in interest rates is becoming more pronounced, further increasing business costs."<sup>5</sup>

*The Energy War: an Existential Threat for European Industry.*

At the 23 October meeting of the *European Round Table of Industrialists (ERT)*, there was clearly great concern about high energy prices and about the weakening, and even reduction, of raw material supply chains, factors that are eating away the foundations of European industry's global competitiveness and undermining its ability to achieve bold decarbonisation goals.

European industries are being so badly hit by soaring energy costs that they are cutting or shutting down production and losing global market shares, with the risk of permanent damage to the EU's competitiveness. What is more, with manufacturers scaling back, shutting down or relocating production, there is also a risk that they may never reopen in Europe, even in sectors crucial to the energy transition such as metals.

According to a recent analysis by the *Economist Intelligence Unit*, "Demand reduction is forcing industry across Europe to idle, and will raise input costs to levels that make European industry uncompetitive. This may persist for several years, causing global supply chains to move away from Europe."<sup>6</sup>

Particularly indicative, in this regard, is the joint statement by Confindustria (the General Confederation of Italian Industry) and its French counterpart Medef pointing out that production costs in industry increased by 28 per cent in France, 40 per cent in Italy, and 33 per cent in the EU between August 2021 and August 2022, and that European producers of fertilisers and aluminium have reduced their production by 70 per cent and 50 per cent respectively. These figures show that the coming winter

<sup>5</sup> Centro Studi Confindustria, *Caro energia persistente, inflazione record e rialzo dei tassi, frenano l'economia a fine 2022*, November 2022, [https://www.confindustriasr.it/comunicazione.asp?id=89&id\\_news=1478&anno=2022](https://www.confindustriasr.it/comunicazione.asp?id=89&id_news=1478&anno=2022).

<sup>6</sup> *Energy crisis will erode Europe's competitiveness in 2023*, 13 October 2022, <https://www.eiu.com/n/energy-crisis-will-erode-europe-competitiveness-in-2023/>.

will see a very high risk of falling production capacity, with the closure of thousands of companies, and of declining competitiveness and job losses, as well as relocations by energy-intensive industrial concerns.<sup>7</sup>

Belgian Prime Minister Alexander De Croo has spoken explicitly of the risk of a “deindustrialisation” of Europe, warning that the energy crisis is the greatest threat hanging over Europe since the end of the Second World War, on an economic level, primarily, but also on a political and social one (10 October 2022).

### *Focus on Industrial Enterprises: is Italian Industry at Risk?*

As previously noted, the Italian production system proved particularly reactive and dynamic during 2021 and also much of 2022, even though in the course of the latter considerable concern was raised about the effects, especially starting from the first months of 2023, of the “energy war”.

As reported on 27 April 2022 by Cerved Business Information, which keeps an Italian chambers of commerce database, there are a number of factors that could potentially block production in numerous sectors in 2023: the volatile international situation, the substantial increases in raw material prices, as well as the uncontrolled increase in energy costs and unavailability of materials, leading to higher purchase prices. Italy’s industrial production system risks losing as much as 218 billion euros in revenues, as the country’s economy minister, Giancarlo Giorgetti, was well aware when, addressing a joint meeting of the Budget Committees of the Chamber of Deputies and the Senate of the Republic on the proposed budget law, he remarked: “Our economy is slowing down and we are seeing a sharp rise in inflation. The soaring cost of energy is threatening the survival of our businesses, and not just the energy ones.”<sup>8</sup>

### *Businesses Appeal to the European Union.*

At this point, let it immediately be said that, while the EU has done an admirable amount on the “economic deterrence” front, with the aim of weakening Russia’s war machine and creating the conditions for delegitimising the autarch Putin, the support it has lent to “economic resistance” efforts has not, so far, been as satisfactory. That said, on a

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<sup>7</sup> *Confindustria, Medef e Bdi: subito misure condivise su energia*, Energiaoltre, 20 December 2022, <https://energiaoltre.it/confindustria-medef-e-bdi-subito-misure-condi-vise-su-energia/?v=163a1b9b5c5312>.

<sup>8</sup> Audizione del ministro Giorgetti sul disegno di legge di bilancio per il triennio 2023-2025 [Commissioni bilancio di Camera e Senato], [https://www.mef.gov.it/ufficio-stampa/articoli/2022-Giancarlo\\_Giorgetti/Audizione-del-ministro-Giorgetti-sul-disegno-di-legge-di-bilancio-per-il-triennio-2023-2025-Commissioni-bilancio-di-Camera-e-Senato/](https://www.mef.gov.it/ufficio-stampa/articoli/2022-Giancarlo_Giorgetti/Audizione-del-ministro-Giorgetti-sul-disegno-di-legge-di-bilancio-per-il-triennio-2023-2025-Commissioni-bilancio-di-Camera-e-Senato/).

more positive note, we should recall the financial aid that the Commission has put in place within the sphere of its competences, specifically:

- the *REPowerEU* plan (based on “energy savings, diversification of energy supplies, and accelerated roll-out of renewable energy”).<sup>9</sup> Designed to help the 27 member countries phase out, as quickly as possible, their dependence on Russian fossil fuels, this plan is worth 300 billion euros, which includes 225 billion of unused loans from the bloc’s Recovery and Resilience Facility, with the rest coming from new subsidies, and sums transferred from the cohesion funds (26.9 billion) and CAP funds (7.5 billion);
- the fact that governments have been given the option of reallocating unused cohesion funds (40 billion) from the 2014-2020 budget period, in order to help vulnerable companies and families pay their energy bills.

We have to feel some disappointment, on the other hand, at the lack of a ready common political will and unified strategy among the EU member states. Everything continues to be complicated and slow, frustrated by protracted negotiations conditioned by divergent national interests.

To make this point, there is no need to list single circumstances and facts; one need only consider the frustration of Mario Draghi’s, who apparently claimed that: “We have been discussing gas for seven months. We have spent tens of billions of European taxpayers’ money, used to finance Russia’s war, and we have not solved anything yet. If we hadn’t wasted so much time, we wouldn’t now be on the brink of a recession.”<sup>10</sup>

Given the common reaction of the European countries in the face of the pandemic, and then the solidarity concretely manifested between them, not to mention the proactive role played by the ECB and the European Commission in that “*annus horribilis*”, we might have been forgiven for believing that the “lesson” had finally been learned, and assimilated as a common value. Unfortunately, this is not the case.

With difficulty and some effort, the Italian premier Draghi, thanks to his authoritativeness, managed to get some European countries, including France, Spain and Poland, to converge on the need to adopt a “package” of measures, and above all introduce a (lower) maximum gas price as a means of supporting businesses and the economy.

In the same vein, Confindustria and Medef recently issued a joint appeal to the European Council, saying that Italian and French companies

<sup>9</sup> European Commission, *REPowerEU: A plan to rapidly reduce dependence on Russian fossil fuels and fast forward the green transition*, [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_22\\_3131](https://ec.europa.eu/commission/presscorner/detail/en/ip_22_3131).

<sup>10</sup> *L’Ue ferma l’Italia sul gas, Draghi furioso: “Colpa vostra se siamo in recessione”* - Business.it.

wished to raise the alarm about the escalation of the energy crisis and underline the urgency of intervening at European level, with immediate effect, to curb prices and avoid further damage to the economy. In their view, urgent European intervention should take the form of temporary measures setting a cap on the price of gas. The appeal ends by warning that there is no time to lose, the survival of European industry is at stake.<sup>11</sup>

Meanwhile, in a press release, the European business confederation *BusinessEurope* said that “all-sized companies across the continent have already reduced their output or even shut down their production completely. There is a real danger that energy-intensive businesses [will] relocate outside of Europe where energy prices are much lower, which would have dramatic consequences on our competitiveness and jobs”.<sup>12</sup>

These concerns are shared by the President of the European Commission, Ursula von der Leyen, as shown by her words at the European Parliament Plenary in Strasbourg: “High gas prices are driving electricity prices. We have to limit this inflationary impact of gas on electricity — everywhere in Europe. This is why we are ready to discuss a cap on the price of gas that is used to generate electricity (...) Such a cap on gas prices must be designed properly (...) And it is a temporary solution”.<sup>13</sup> On the same occasion, von der Leyen explained that the Commission was also working to obtain the go-ahead to define a process that could be used, in emergency situations, to establish, using a precise criterion, the shares of available gas that the single member states would be entitled to purchase, at a controlled price to avoid bidding between EU countries — an instrument similar to the one used for the distribution of vaccines.

On the eve of the October European Council, the Commission finalised a package of measures to tackle the energy crisis. First of all, the obligation to meet at least 15 per cent of storage-filling requirements through joint gas purchases and higher thresholds for state aid. Second, the possibility of using up to 10 per cent of the cohesion funds in the EU budget for the energy emergency. And finally, a new LNG pricing benchmark. However, since this will not be ready until early 2023, it was proposed to use, in the short term, a price correction mechanism to limit prices on the TTF gas exchange, to be activated as needed.

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<sup>11</sup> *Confindustria, Medef e Bdi...*, *op. cit.*.

<sup>12</sup> *BusinessEurope, Energy crisis: European business calls for new EU-wide measures (press release)*, <https://www.business-europe.eu/publications/energy-crisis-european-business-calls-new-eu-wide-measures>.

<sup>13</sup> U. van der Leyen, *Speech by President von der Leyen at the European Parliament Plenary on Russia's escalation of its war of aggression against Ukraine*, Strasbourg, 5 October 2022, [https://ec.europa.eu/commission/presscorner/detail/en/SPEECH\\_22\\_5964](https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_22_5964).



The European Council, which met on 20-21 October 2022, gave the green light to the agreement on the package, before instructing the energy ministers to draw up the technical details of a road map for its application.

Pending a more precise technical proposal from the Commission, to be submitted to the Council of Energy Ministers for approval, there was general political agreement on the price cap issue. On 22 November, 2022, EU Commissioner for Energy, Kadri Simson, announced that the EU was proposing a gas price cap, on the Amsterdam-based TTF, of 275 euros per megawatt hour. However, this was a proposal that reflected mainly the position of countries, Germany and others, concerned more about maintaining the flow of supplies from Russia than about pushing down the price. After all, it should be considered that the price of gas, even at its peak, has never reached the 275-euro mark, and that at the time the cap was actually formulated, futures for the month of December were trading at less than 120 euros.

The EU energy ministers, meeting on Thursday 24 November, reached an agreement on the substance of the new measures on joint purchases of gas and on a solidarity mechanism. But not on the 275-euro price cap, given that the energy ministers of fifteen countries, including Italy, Spain and France, had decided not to adhere to the European Commission's proposal. Meanwhile, new warnings arrived from Russia, which threatened to cut gas and oil supplies to any country capping the price of these two raw materials, and the price of gas fluctuated sharply due to the uncertainty surrounding the price cap.

While the countries of the European Union were struggling to agree on what price to pay Russia for gas, and on a common policy for managing the energy crisis, on 25 November in Berlin, France and Germany signed an energy "mutual support" agreement — a move that risks rekindling controversy over the risk of divisions within Europe, given the possible implications for the level playing field.

The French prime minister Elisabeth Borne, in a tweet at the time of the agreement, wrote: "France and Germany need each other to overcome energy tensions. This is the meaning of the solidarity agreement that we have just concluded to implement exchanges of gas and electricity between our two countries and to act within the framework of the EU."

This situation inevitably begs the question, what about the other 25 EU countries? The difficulties in finding an agreement between the member states are deeply worrying, as indeed is this kind of acceleration on the part of just a small number of countries.

On 2 December 2022, on the basis of a previous G7 decision, the

rotating Presidency of the Council of the European Union announced that a 60-dollar-per-barrel price cap on Russian oil had been agreed and would be implemented as from 5 December 2022; however, no cap on the price of Russian gas had been agreed. A group of seven European Union countries, including Italy, proposed setting one of 160 euros per megawatt hour, far lower than the ceiling proposed by the European Commission (275 euros) and the compromise proposed by the Czech presidency of the Union (264 euros). The turning point came when the European Council, meeting on 15 December, “call[ed] on the Council to finalise on 19 December 2022 its work on the proposals for a Council Regulation enhancing solidarity through better coordination of gas purchases, notably through the EU Energy Platform, exchanges of gas across borders and reliable price benchmarks”.<sup>14</sup> And indeed, the following Monday, Europe’s energy ministers agreed, with a qualified majority — Hungary voted against and Austria and the Netherlands abstained —, to set a gas price cap of 180 euros per megawatt hour, which will kick in on 15 February 2023.

The president of the Lombardy industrialists’ association Assolombarda, Alessandro Spada, cautiously welcomed the agreement: “It is positive that the EU has reached an agreement on the gas price cap, although the price remains very high for businesses. The good news is that the Europeans managed to negotiate an agreement, moreover for a price cap lower than that the Commission had envisaged.”

### *Is European Industry Headed for the States?*

In addition to all that has been outlined thus far, it is necessary to consider what Thierry Breton, EU Commissioner for the Internal Market, has called an “existential challenge to the EU economy”, namely, the Inflation Reduction Act (IRA) approved in August by the Biden administration as a means of accelerating American industry’s green transition.

This measure has put 369 billion dollars in subsidies and tax breaks on the table. And although it will not come into force until in 2023, it is already leading some European companies to divert investments away from the Old Continent in favour of the USA. Thanks to the IRA, for example, the construction of a new electric battery factory in the States is subsidised by up to 800 million dollars. The same factory in Europe would receive “only” 155 million euros. In the hydrogen sector, too,

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<sup>14</sup> General Secretariat of the Council, *European Consilium meeting (15 December 2022) – Conclusions*, <https://www.consilium.europa.eu/media/60872/2022-12-15-euco-conclusions-en.pdf>.

US subsidies are now five times those available in Europe. Added to this disparity, there is also the difference in energy costs. Natural gas currently costs six times more in Europe than it does in the USA. Due to this asymmetry, the annual increase in production prices is much more marked for European than US companies: +42 per cent vs +8.5 per cent. As a result, in the first ten months of 2022, EU industry was forced to ration its use of gas (-13 per cent on the average for the previous three years) and therefore reduce its production. American industry, on the other hand, increased its gas consumption (+5 per cent).

According to a survey by the German Chamber of Commerce, 8 per cent of the German companies interviewed are considering moving part of their production outside the EU, precisely because of the high energy prices in Europe. This is an industrial haemorrhage that Europe simply cannot afford.

*The Inflation Reduction Act: the Reactions of and Differences Between EU Member States.*

Paris and Berlin are stepping up their pressure on the Commission for a response along the lines of the US subsidy plan.

According to Bloomberg, which cites sources close to the German Chancellery, Olaf Scholz, supporting requests from Germany's social democrats (SPD), seems to be inclined to urge the European Union to respond to the US subsidy plan with new common financial instruments.<sup>15</sup>

The French government has circulated a detailed document, suggesting the adoption of a four-pillar strategy called "Made in Europe" that highlights, above all, the importance of responding to the need to urgently support and finance the sectors susceptible to relocation, and of defending the solidity of the European economy, its sovereignty, and the green transition. France is asking the EU to present, in the very short term, a credible and ambitious financing instrument to be built in two stages: an emergency fund that would be created by reallocating existing funding, and subsequently (by the end of 2023) supported through an instrument similar to SURE (i.e., financed through common debt). In this way, the industrial crisis would result in the breaking of another taboo.

The Danish politician Margrethe Vestager, Executive Vice-President of the European Commission, in a letter on an "urgent matter", sent to all the governments on 13 January 2023, highlights a number of challenges, particularly "high energy prices, the need to re-skill and up-skill workers, and the US Inflation Reduction Act, which risks luring

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<sup>15</sup> *MilanoFinanza News* 12 January 2023.

some of our EU businesses into moving investments to the US”, that together demand “a strong European response”.<sup>16</sup> In the letter she goes on to propose the setting up of a “collective European fund to support countries in a fair and equal way”, while also underlining the importance of relaxing the state aid rules and boosting the REPowerEU plan.

Ursula von der Leyen’s position appears, at present, more cautious; she would like to avoid a transatlantic confrontation, and favours “dialogue” with the Biden administration.

And then there are those that say “no”.

The Confederation of Swedish Enterprise, in its response to the consultation launched by the Commission before Christmas, argued that further changes to state aid rules due to the IRA cannot be deemed justified, given that EU member states already provide substantial amounts of state aid and it in any case remains unclear how the IRA will be implemented.<sup>17</sup>

The Spanish government has also come out against upping state aid, arguing that it would constitute “a threat to the level playing field”.

Looking ahead to the European Council meeting of 9 and 10 February, the European Commission, on 1 February, unveiled its “Green Deal Industrial Plan”, a series of proposals and initiatives designed to support and protect the green industry in the EU. It is, in fact, a response to the USA’s IRA and China’s multi-million-dollar energy transition programmes. The new plan aims to relax the state aid rules in order to favour the introduction of renewable energy and the decarbonisation of industrial processes. “We know that in the next years the shape of the net-zero economy and where it is located will be decided, and we want to be an important part of this net-zero industry that we need globally”, said the President of the European Commission, Ursula von der Leyen in a statement.<sup>18</sup> But, as we have seen, the plan has not met with the unanimous approval of the member states and industry leaders.

### *Final Considerations.*

Despite the experience of the pandemic and now the current crisis, the EU remains slow to boost its strength and cohesion and become

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<sup>16</sup> [https://www.politico.eu/wp-content/uploads/2023/01/16/Letter\\_EVP\\_Vestager\\_to\\_Ministers\\_Economic\\_and\\_Financial\\_Affairs\\_Council\\_Competitiveness\\_Council\\_aressv398731.pdf](https://www.politico.eu/wp-content/uploads/2023/01/16/Letter_EVP_Vestager_to_Ministers_Economic_and_Financial_Affairs_Council_Competitiveness_Council_aressv398731.pdf).

<sup>17</sup> S. Disegni, *Francia e Germania vogliono un nuovo piano Ue di aiuti all'industria. Ma nel 2022 l'80% delle risorse è finito proprio a loro*, Open, 13 January 2023, <https://www.open.online/2023/01/13/ue-francia-germania-nuovo-piano-aiuti-industria/>.

<sup>18</sup> European Commission, *Statement by President von der Leyen on the Green Deal Industrial Plan*, [https://ec.europa.eu/commission/presscorner/detail/en/statement\\_23\\_521](https://ec.europa.eu/commission/presscorner/detail/en/statement_23_521).

more supportive and ready to actually assume a role of power, notwithstanding the many appeals it has received, from authoritative sources, to do just that. It is therefore hard not to agree with the president of Confindustria, Carlo Bonomi, who says that in the energy field “we in Europe need to pool our efforts and measures, exactly as we have managed to do with sanctions. We cannot be united on sanctions, but leave everyone to go it alone when it comes to energy, (...) solidarity cannot exist for one issue but not the other.”<sup>19</sup>

One thing is for sure: today’s Union is struggling and proving slow to rise to the challenges it faces. Proof of this can be found on the “economic resistance” front of the current war, in the context of which “decisions” that are not taken jointly, or that are drawn out or simply ineffective, risk irreparably undermining the competitiveness of European supply chains and businesses, putting our continent at very real risk of industrial decline.

What is equally certain is the fact that the national governments are failing to exploit the thrust of this further emergency in order to take steps towards the true political unity that would allow Europe, by giving itself the ability, authority and strength necessary to act both internally and on the world stage, to rise to the status of a continental power. It should be clear that Europe, to survive as a Union, has no choice but to take the political-institutional steps that, as confirmed by the Conference on the Future of Europe, have to be taken in order to give the European institutions the competences, resources and effective powers necessary to act in crucial fields — those in which adequate governance is possible only at the European level. And so, we as federalist militants, drawing motivation from the stimulating and impassioned words of David Sassoli at the opening of the Conference on the Future of Europe on 9 May, must, with absolute commitment, “work (...) so that [Europe] functions more coherently; so that Europe has clear competences in the many fields in which our countries, alone, would be marginalised and simply struggle. We see that there are geopolitical actors in the world that attack us and [seek to] take advantage of our divisions to undermine our strength — our great strength that is founded on law, democracy and our values. So, let’s make Europe even stronger, more resilient, more democratic and more united.”

Or as we would put it: let’s create a federal Europe!

*Piero Angelo Lazzari*

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<sup>19</sup> *Caro energia, Bonomi: “Da soli non ce la possiamo fare, serve l’Ue”* - Adnkronos.com, 5 October 2022.

## Discussions

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### **REFORM OF THE STABILITY AND GROWTH PACT: AN INTERIM PROPOSAL**

Reform of the EU's fiscal rules, and of European economic governance generally, gets right to the heart of federalist action as it concerns the Union's competences in economic matters, the same area on which the foundations of the United States of America were laid. Reform of the EU fiscal rules is a subject long debated by stakeholders, and in all the interventions prompted by this debate, there has been widespread agreement on the need for some changes.

In February 2020, the Commission presented a wide-ranging review of EU economic governance and launched a debate on its future. However, almost immediately afterwards, to allow the member states to devote all the necessary resources to combating the economic crisis caused by the outbreak of the Covid-19 pandemic, the European Commission triggered the general escape clause, thereby allowing temporary deviation from the EU fiscal rules for a duration that was subsequently extended to the end of 2023 due to the energy crisis caused by the war in Ukraine.

It is against this backdrop that the European Commission, on 9 November, 2022, adopted a Communication setting out orientations for reform of the Stability and Growth Pact. This document, anticipating the contents of the legislative acts that the Commission itself intends to adopt in the coming months, represents a step forward in the discussion on reform of European economic governance. Its aim is to bring the new rules into force before the general escape clause is deactivated, so as to prevent a return to the old ones.

First of all, the Communication envisages that only the regulations

of the Stability Pact and their subsequent amendments and additions will be modified. The deficit and debt parameters contained in protocol no. 12 TFEU will remain unchanged, thereby avoiding the need to use the ordinary revision procedure under Article 48 TEU, which would involve ratification by all member states. The Commission also chooses not to address issues of a more far-reaching nature, such as the possibility of building a permanent fiscal capacity, while nevertheless acknowledging that this has been proposed by several experts involved in the discussion, such as Codogno and Van Den Noord.

The new economic governance framework hinges on national medium-term fiscal-structural plans, designed to merge the current Stability and Convergence Programmes with the National Reform Programmes that the member states are currently required to submit to the Commission by the end of April each year. In the latter, the states set out the specific policies they will implement to boost jobs and growth and prevent or correct macroeconomic imbalances, and their concrete plans to comply with country-specific recommendations and fiscal rules. This new approach would have the effect of eliminating the tight annual fiscal constraints currently in force, and thus increasing the member states' planning capacities. The Commission's clear objective is to increase national ownership of the EU fiscal rules, a fundamental aspect in regard to which the current system has always been accused of falling short. To effectively achieve this greater ownership, the multiannual plans should be characterised by a certain level of flexibility and should focus on macro quantitative targets, so as to make it easier for governments of different political hues to embrace them.

The second important aspect is the elimination of the rule stating that member states must reduce, by one twentieth per year, the amount of their public debt exceeding 60 per cent of GDP. The Commission acknowledges that the higher a state's public debt stock is, the more difficult it will be for that state to comply with this rule, a difficulty now clearly exacerbated by the debt increases linked to the pandemic. The new debt reduction path towards 60 per cent of GDP will be guided by country-specific fiscal trajectories contained in the member states' medium-term plans, which will also include commitments to make certain investments and reforms. The debt reduction will be achieved through the application of a "reference multiannual adjustment path in terms of net primary expenditure", put forward by the Commission and covering at least 4 years. The plan would differ ac-

cording to whether the country it concerns has a substantial, moderate or low public debt challenge, thereby making it possible to guarantee greater adaptability of the rules to the conditions of each state, and easier to respect the EU objectives.

Throughout its Communication, the Commission attaches great importance to the question of reforms and investments, indicating that the medium-term plans should be consistent with each country's Recovery and Resilience Plan and green and digital transitions, and stating that the adjustment period may be extended by up to three years, provided the state in question undertakes to implement reforms and investments that support sustainable growth and public debt sustainability. The medium-term plans will need to be positively assessed by the Commission and adopted by the Council, both of which will consider, in particular, their coherence with the fiscal trajectories and the implementation of the reforms and investments envisaged at EU level.

The Commission also envisages involvement of independent fiscal institutions — for Italy this would be the Parliamentary Budget Office —, assigning them a role in assessing the assumptions underlying the fiscal-structural plans, the adequacy of the plans with respect to debt sustainability, and country-specific medium-term goals, and also in monitoring compliance with the plans. The Commission calls for a strengthening of these institutions, as this would lead to greater national debate on the medium-term plans, and thus promote greater ownership of them. The Commission also intends to reconsider the role and mandate of the European Fiscal Board in this area.

Finally, the Communication provides that the excessive deficit procedure (EDP) will remain fundamentally unchanged, save for some changes to the sanctions in the event of non-compliance. Indeed, in addition to the existing financial sanctions, the amounts of which would be reduced, reputational sanctions are envisaged. Ministers of member states in EDP could also be required to present, before the European Parliament, the measures adopted to comply with the EDP recommendations. This is a proposal that, once again, attributes a symbolic role to the European Parliament, yet without substantially increasing its prerogatives. For this reason, from a federalist perspective, it should be criticised.

However, the federalist judgement on this proposal must nevertheless take into account the fact that it is a first step towards a broader political discussion. The failure to address the issue of a permanent fiscal capacity, like the ambiguities and gaps that still remain in the docu-



ment, and the envisaged role of the European Parliament, should not to be taken as signs of closure on the part of the Commission, but rather as a reminder of the need for a federalist contribution able to advance the still fledgling political debate. The Commission itself, in acknowledging that “several contributors to the public debate have called for a permanent central fiscal capacity”, is itself signalling that it would not view this proposal unfavourably were it to emerge as a shared position. The absence of modification of the protocols containing the Maas-tricht parameters becomes an aspect of secondary importance once the pathway to achieving these parameters is modified. For this reason, the Communication must be judged positively overall, considering the technical adjustments made to the rules and hoping that, in the course of the political debate that will unfold in the coming months, the doors for more ambitious steps forward will not be closed *a priori*.

Federico Bonomi

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## REFORM OF THE STABILITY AND GROWTH PACT: A PROPOSAL LACKING VISION

### *Introduction.*

Reading the European Commission's Communication setting out orientations for reform of the Stability and Growth Pact (SGP), adopted on 9 November, 2022,<sup>1</sup> the title of Shakespeare's comedy *Much Ado About Nothing* immediately springs to mind. Because, back in early 2020, the shortcomings of allowing European economic governance to operate on autopilot, driven solely by strict fiscal rules (moreover now widely recognised as unrealistic by the academic world and much of the political one), were so apparent that the Commission had already decided to organise a public consultation on reform of the pact, subsequently postponed due to the Covid emergency.

As is widely known, the crisis triggered by the pandemic crisis led to suspension of the SGP, which was due to come back into force at the start of 2023. In preparation for this, a public consultation was launched at the end of 2021 to ask citizens and civil society (the protagonists of this consultation were actually universities and think-tanks) how they envisaged a new SGP. The results of the consultation were then made known in a document published by the Commission on 28 March 2022.

Most of those who took part in the consultation had underlined that reform of the pact needed to come about in the context of a general reform of European economic governance, which would see Europe equipped to produce European public goods, and endowed with an adequate budget and an autonomous fiscal capacity. And that only then, with the Europeans endowed with a supranational instrument for growth, would it be possible to envisage restoring the fiscal rules. The planned 60 per cent debt-to-GDP ratio was also deemed unrealistic, and in need of modification (the average debt-to-GDP ratio in the EU currently stands at around 100 per cent).

Furthermore, it was highlighted that putting financial stability before growth was simplistic and, in most cases, useless and wrong, as shown by the financial crisis of 2008-09 and the sovereign debt crisis of 2010-

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<sup>1</sup> European Commission, *Communication on orientations for a reform of the EU economic governance framework*, COM(2022) 583 final, [https://economy-finance.ec.europa.eu/system/files/2022-11/com\\_2022\\_583\\_1\\_en.pdf](https://economy-finance.ec.europa.eu/system/files/2022-11/com_2022_583_1_en.pdf).

12, when austerity failed to produce expansionary effects. Because, as already remarked in 2005 by Posen and other American colleagues,<sup>2</sup> if austerity in the USA in the early 1990s worked, this is because, in America, it was possible to direct resources away from inefficient public sector allocations and towards efficient markets, and also because the US has a federal constitutional and institutional architecture capable of absorbing macroeconomic shocks through monetary and fiscal reflation measures promptly adopted by the central government. Europe, on the other hand, has none of this, with the result that any adjustment through austerity can only lead to deflation, decreased demand, and depression of growth expectations and consequently of investments: a self-perpetuating spiral that must be stopped through systemic reflation by a supranational government. Which, however, does not yet exist.<sup>3</sup>

In the meantime, a new crisis has hit continental Europe and upset the whole global geopolitical order, causing the re-activation of the pact to be postponed until 2024. For Europe, producing a document that reflects the pre-2020 debate, and thereby ignoring the economic-political consequences of Covid and the Russia-Ukraine war, amounts to turning down an active role in the balance of power that will emerge at international level in the near future.

The most important error of the Commission's document, therefore, is its failure to set reform of the SGP within the broader debate on the role the EU intends to play in the world in the coming years. Indeed, depending on the direction the EU takes, the proposal looks set to emerge as either useless or even harmful.

I shall herein try to illustrate this thesis by highlighting the few advances that are summarily outlined in the Commission document (first paragraph), before moving on to examine its shortcomings (second paragraph), and finally offering some concluding considerations.

### *The Merits of the Commission's Document.*

One of the key points when seeking to create a genuine supranational economy (and democracy), in other words to coherently realise the design of a federal Europe finally capable of taking reactive and fully legitimised decisions, is to build a system for monitoring public spending at

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<sup>2</sup> Posen A.S., *Can Rubinomics Work in the Eurozone?* In Id. (Ed.) *The Euro at Five: Ready for a Global Role?* Special Report n. 18, Washington (DC), Institute for International Economics, 2005, pp. 123-150.

<sup>3</sup> The NGEU recovery package, which looks very much like an asymmetric and supportive reflationary intervention, is unanimously considered an exceptional event that will not be repeated.

various levels: local, national, and European. Something along the lines of what happens in India, which has a substantially federal constitution.

In Europe, we have the European Fiscal Board, which was set up in 2016, following the October 2015 announcement of its creation, in order to help the President of the European Commission analyse the European macroeconomic framework and make proposals for improving it. It has a purely advisory and zero-budget role, operating without the support of an *ad hoc* data analysis structure, instead relying on the data furnished by the Commission.

We also have independent fiscal institutions for monitoring expenditure, largely created during the years following the 2010-12 reforms of European economic governance. A simple but effective way to make the budget formation system in Europe more coherent would be to make these institutions part of a system, transforming them into branches of a multilevel agency responsible for providing monitoring and advice on the distribution of debt loads between the various levels of government.

And yet the Commission document makes no mention of any of this, referring only to the need to “reconsider the mandate and role of the European Fiscal Board”,<sup>4</sup> also in the light of that of the national authorities. Nevertheless, this indication seems to be one that, it can be hoped, might move in the direction mentioned above. And if it did, it would not be a trivial result, even though (in the absence of a more detailed proposal) it could potentially lead to a weakening of the independence and authority of the national bodies (which up until now have worked very well).

Another important merit of the document is that, despite there being no reference to any sort of golden rule allowing strategic investments to be left out of the calculation of member states’ deficits — the public consultation revealed a clear demand for this —, the proposed method of debt sustainability assessment, which the document suggests should be conducted on a multiannual basis, seems, logically enough, to favour productive investments over unproductive expenditure. This kind of development would also be an important result, making it easier to shift national spending away from the current expenditure side, and towards the one that allows individual countries’ economies to move towards the frontier of production possibilities, investing in sectors that increase total factor productivity.

In my view, a final positive element worth underlining is the increasing degree of discretion the Commission would allow itself in the

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<sup>4</sup> European Commission, *Communication on orientations for a reform of the EU economic governance framework*, *op. cit.*, p. 10.

assessment of spending and debt reduction plans, which, according to the proposal, would be negotiated with the individual national governments. The *de facto* reduction of the rigidity of the existing rules and the increase in the degree of political discretion (albeit passed off as stochastic analysis of macroeconomic data, and therefore as a purely technical change) seem to me to be small but significant steps forward in the direction of giving the European economy a supranational government. Because it will be up to the Commission to set the indicators for assessing the sustainability of debts in the medium term (a period of four years, extendable to seven if necessary).

This new development would, however, have to be carefully explained and justified, in order to avoid any abuses of the tempting opportunity constituted by the supranational transfer of a political power that is, however, entrusted to essentially technical bodies. In view of this consideration, it appears increasingly urgent, to establish an effective supranational democracy, and to address the issue of Treaty reform or that of the Treaty revision procedure with a view to constitutionalisation of the Treaties.

#### *The Limits of the Commission's Proposal.*

We now come to the limits of the proposal published by the Commission as a means of re-opening the debate on reform of the SGP.

The first, macroscopic, one is that the world has profoundly changed, making simple steps to reform the pact no longer adequate. While macroeconomic surveillance of some kind and financial stability are necessary to ensure the resilience of both the single currency and, ultimately, the entire European economy, the priority today is to have the EU assume the attributes of economic sovereignty that will allow it to minimise the negative effects of its dependence on external countries.

If it is true that interdependence is global and affects the whole world, it is also true that Europe, as a processing-based economy, cannot afford not to insulate itself against the negative effects of these interdependencies in crisis situations like the current one. This means that Europe must rebuild strategic alliances requiring colossal investments for growth (in Africa, Latin America, for the reconstruction of Ukraine, to stabilise the Middle Eastern area, etc.); at the same time, the fierce international competition for resources and outlet markets demands equally colossal investments in innovation (of, broadly speaking, technology, products, processes, organisation, markets, and so on).

All this requires huge financial resources. And it does not matter if

these have to be obtained through debt. After all, considering that we are currently in a savings glut, i.e., a period characterised by a (growing) excess of global savings looking for stable and profitable investment opportunities, the EU should be making it a priority to create, as an alternative to the US Treasury Bond, which is used to finance current spending, a safe debt instrument that is instead oriented towards investments in innovation.

Furthermore, there is a growing demand for public goods without which the EU risks disintegration: a European energy union, a European security and defence union, a renewed system of communication and transport infrastructures in line with the EU's future ambitions, and cultural and social infrastructures capable of satisfying the (changing but growing) needs of the citizens. These are needs and demands that must be satisfied to enhance Europe's supranational cohesion and prevent a loss of support for the ideas of European identity and integration. It must be recognised that the fiscal capacities of the individual countries, which vary greatly in terms of their room for manoeuvre and welfare support needs, cannot be relied upon to this end: a collective effort is required.

Where is all of this in the Commission's document? Where is the battle (inevitable and in our view bound to be lost) against the fiscal expansion that the USA (to counter monetary restrictions) is pursuing with its Inflation Reduction Act? Where are the financial assistance instruments necessary to foster the emergence of global multilateralism by strengthening regional dynamics in Africa and Latin America? What is the role of public finances with respect to von der Leyen and Breton's proposal for a "European sovereignty fund"?

I would also advance a further criticism. Failure to rethink the 3 per cent and 60 per cent thresholds is likely to have two harmful consequences. The first is linked to the fact that these parameters are independent of how the targets are achieved, i.e., through spending reductions or tax increases. But we do know that tax multiplier effects are asymmetrical with respect to these two modalities (i.e., their impact, in terms of changes in income, is different); moreover, making one or the other choice can, due to its distributive implications, have potentially distorting effects. Continuing to set targets without indicating how they should preferably be reached may well increase national ownership of the choices made, but it weakens macroeconomic prospects.

The second criticism is that failure to question these parameters risks having a devastating impact in terms of communication and consensus. Because it makes it easy to accuse the European Commission

of sticking with unrealistic dogmas. The 3 per cent ceiling could have been reduced (or better still eliminated), with a view to excluding productive and strategic investments from the calculation of the deficit, while the 60 per cent debt-to-GDP ratio ceiling risks becoming not only out of touch, but also highly dangerous. It is good that, according to the proposal, the adjustment path should from now on be multiannual and not automatic in nature, but the fact remains that it implies the need to return within that ceiling. In Italy's case that means reducing its debt by 90 per cent of its GDP, an objective that can be considered realistic only in the cushioned environment of Brussels. And achievable only through a degree of austerity that would decrease the quality and quantity of public goods and services provided, and risk generating new anti-European narratives, which in our view we could really do without, especially right now when there is a need for stronger European sovereignty.

### *Concluding Remarks.*

What we have seen here is that, compared with the reforms expected by civil society and proposed in the field of academic debate, the Commission's document offers little clarification and leaves many doubts. In particular, it does not explain how a strengthening of growth — currently stagnant in much of the continent — can be squared with the (undoubted) need to guarantee stability. It seems to echo the debates that preceded the birth of the euro, rather than speaking with authority on the numerous crises that have hit the European continent, and from which we systematically manage to recover later than all the world's other large economic and political groupings of states.

It can, of course, always be argued that the Commission has simply produced an initial document, just to get a debate started; and that it is now up to the governments, the European Parliament and the Council to take charge of the changes, including the constitutional ones, that are needed to carry forward the above-outlined design — changes that cannot be driven solely by the Commission. And this would be an acceptable argument, were it not for the fact that the Commission has the power of legislative initiative and, when it comes to the need to review a key policy area such as economic governance in a complex, open and interdependent system like that of the EU, we might legitimately have expected it to have come up with some clearer ideas — forward-looking ones, what's more, rather than ones rooted in the past.

*Fabio Masini*

# Perspectives on Federalism in the World

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## WORLD FEDERALISM AND ITS ANTINOMIES

The life and cultural vitality of the European Federalist Movement (MFE) were recently well illustrated by the debate on global federalism that unfolded during the MFE's Vicenza congress and subsequent *Ufficio del Dibattito* meeting in Genoa. The Proceedings of the latter event, edited by Nicola Vallinoto,<sup>1</sup> confirm the richness of the cultural heritage that exists within the Movement and the great and spontaneous willingness of many federalist militants to engage personally in the development of more advanced visions of federalist culture. The event was animated by speeches and contributions that were anything but monolithic. On the contrary, they highlighted recurrent antinomies, important for the elaboration of federalist culture.

It is to be noted, first of all, that the antinomy-based methodological approach has characterised, and continues to characterise, this debate not only in Italy, but also in Europe and in the federalist world. Indeed, this approach plays a central role in federalist culture, which, through reference to antinomies, rejects and overcomes the ideological monism typical of traditional political cultures. Antinomian ideas can no more be reconciled than can the opposite poles of a battery, which are not only individually indestructible, but also, working together, generators of tension and energy; the problem, therefore, is not to merge them, which would be lethal, but rather to seek a balance, incessantly variable, between them. It is the same method that, moving from theoretical elaboration to political practice, allows federalism to act as a regulator

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<sup>1</sup> *Federalismo Mondiale*, Ufficio del Dibattito del MFE, Genoa 2-3 April 2022, e-book with Creative Commons licence, [https://www.mfe.it/port/documenti/doc-mfe/uffici/220402\\_eBook.pdf](https://www.mfe.it/port/documenti/doc-mfe/uffici/220402_eBook.pdf).



of conflicts: the existence of a large body of philosophical, legal and political literature spares me the need, here, to examine this fundamental methodological approach in more depth.

The first of the antinomies recurring in our recent debate was that between the “process” and the “project”, both geared towards pursuit of world peace in a Kantian sense, with the process leading, through European and world federalism, to the project of a European and global federation. Like converging parallel lines, process and project merge asymptotically in the borderless community of destiny that is humankind, which, through European federation, has the power to ensure peace.

Due to the partiality of the theoretical analysis and to the intervention of historical events, the process and project visions have often intersected. In Europe’s case, as shown by its experience after the Second World War, historical events have made it less utopian to pursue, through the federalist process, the project of a European federation, whose seed was sown with the creation of the European Coal and Steel Community (ECSC), a model to which, in view of the need for institutional revisions of the Community apparatus, we are now turning once again.

As Francesco Rossolillo clearly explained,<sup>2</sup> and as we all repeatedly reiterate, the global dimension of federalism is the very condition for its full realisation, in terms of both values and institutions. Consequently, all federalists, both European and non-European, are ultimately globalists pursuing the federal unification of mankind as a community of destiny. But when it comes to turning theory into strategy, the process-project antinomy returns forcefully to the fore: it is not possible to have two strategic objectives, Rossolillo warns, and the European federation objective remains the primary and binding one for European federalists. It will instead fall to the “continental federal republics”, as he calls them, to foster and bring about world federalism, whose era, in world history, started with the phenomenon we call globalisation. In history, both past and present, only the United States of America, Australia and, in a rudimentary way, the European Union provide tangible examples of the project set within the ongoing process.

But a new international order, based on nation-states, is not to be confused with the order of a world community.<sup>3</sup> As Peccei said in the 1970s, we must accept that the sovereign nation-state is like an old

<sup>2</sup> F. Rossolillo, *European Federation and World Federation*, *The Federalist*, 41 n. 2 (1999), p. 76, <https://www.thefederalist.eu/site/index.php/en/essays/1947-european-federation-and-world-federation>.

<sup>3</sup> *L'Europa e il dialogo Nord-Sud*, Quaderni Federalisti del CIFE n. 14, Rome 1976, p. 4.

brick: although scarcely usable for the construction of modern buildings, it is what we have to work with today. In other words, the nation-state, being the building block (or functional unit) on which the political structure of the world is based, is something we have to reckon with, even though it is a concept that comes from totally different times. In fact, it dates back to the era of the stagecoach and of absolute dynasties, and arose from the Peace of Westphalia, no less, at the end of the Thirty Years' War. It is also something that, as we now recognise, does no credit to humankind.

There is another contradiction inherent in the process. On the one hand, there is the seductive idea that evolution of the UN will lead to federalist institutions, thereby allowing world federalism (incorporating the necessary subsidiarity) to emerge through the process of creating governance of globalisation: there already exists some tentative evidence in this sense, for example the fact that it has proved possible to achieve the essentially globally organised production of a vaccine against an actually global pandemic. On the other hand, though, we see the development of regional integrations (i.e., present in different parts of the world) activated by various pro-federation elements specific to the areas concerned. In this latter regard, our debate was enriched by experiential evidence not only from Europe, but also from Latin America and Africa, not to mention experiences from other world regions.

In addition, it should be noted that nature (as we are seeing with the issue of global heating), science and technology (as shown by the digital transformation) are the new political actors of an anthropogenic world that still does not have multipolar institutions equipped to address the relative evolutions. Which is why all areas of evolution — geological, anthropological, environmental, demographic, economic, political — appear to be in a state of permanent transition.

With regard the experience of federation projects in history, there have existed, and still exist, established federal systems in many important countries in the world, but history has also seen federations created and then dissolved, such as those of the Soviet Union and Yugoslavia, which sadly have now acquired renewed historical significance.

Intersecting the debate was the temporal aspect, namely the question, also antinomic, of serial as opposed to parallel processes (another electromagnetic analogy). Consideration was given to the possibility of revising a consolidated message of European federalism, namely the idea of “uniting Europe to unite the world”; it was suggested that the “or” might be replaced with an “and”, so that the two processes might

temporarily be superimposed. In this case, too, the arguments for the two monisms actually neutralise each other in the face of the historical and also militant experience of European and global federalism, whose strategies aim and must aim at two federal projects that are equally important, but certainly different. This difference is confirmed at the level of political action, too: the action of world federalists, being of a functionalist nature, is characterised by a commitment to lobbying strenuously for the achievement of certain goals of an intergovernmental, institutional nature (the establishment of the International Criminal Court, the creation of a Latin American and Caribbean Criminal Court against Transnational Organised Crime, reform of the UN and in particular of its Security Council), while European federalists act in pursuit of a European federation.

In addition to the temporal aspect, the debate also saw frequent discussion, from an institutional perspective, of the question of the creation and abolition of borders. Here, there was no shortage of literary references, ranging from the *"Folie des frontières"* of the 1930s to the contemporary *"Éloge des frontières"* by Régis Debray. This immediately led the debate on to the question of citizenship at various geopolitical levels, and thus to that of subsidiarity in all its depth and scope. The idea of multilevel citizenship is increasingly recognised, both in principle and in practice, even though it is often abused. What is actually lacking in the global institutional system is global citizenship, which, as such, is inherent in human beings' very existence in any time and space, and should not therefore need definition. It is, in other words, the same citizenship that Dante Alighieri envisaged in his celestial cosmos, outside of which there is only hatred and oppression, darkness, fear and ignorance: "In this miraculous and angelic temple, that has for confines only love and light". In the debate, between discussion of regional integration projects and problems of recognition of citizenship (also examined from the perspective of migration and refugees), another issue was raised: that of European citizenship, a goal painstakingly achieved in the current European Union. This issue first arose immediately after the Second World War with the initial institutional attempts at European integration, the first of which led, in 1949, to the birth of the Council of Europe. The founding design of this institution, inspired by Sir Winston Churchill, was such that it should have led immediately to the United States of Europe; that this failed to happen, however, is due to the actions of the British themselves who, under Macmillan and Attlee, steered the project into intergovernmental territory. Obviously, they did

this with the complicity of the other founding members (twelve in number, hence the twelve stars of the European flag). It should be remembered that these included Turkey, which was later deemed not to meet the requirements for joining the Union. The rejection of Turkey was also based on an antinomic logic, in this case religious differences that it was felt could generate neonationalist tendencies and consequences. The Council of Europe, with its Parliamentary Assembly, its intergovernmental Committee of Ministers, its Congress of Local and Regional Authorities of Europe, and its European Court of Human Rights, had, and still has, the merit of ushering in the most important subsequent Community process. Over time, the Council has expanded to embrace all peoples considered European, from North to South and from East to West, adopting a geopolitical definition of Europe that sees beyond the governments in office at any given time. The 47 peoples of Europe represented in the Council include all the Scandinavian countries and those of western, central and insular Europe; those of the northern shores of the Mediterranean, as well as all the Balkan, Caucasian and Eurasian peoples: Armenians, Georgians, Turkmen, Azeris, Kyrgyzs, Cossacks, Tajiks, Uzbeks, and a considerable proportion of the Kurdish population. Belarus has not yet been granted access to the Council due to the country's failure to comply with the principles of the rule of law and fundamental freedoms, while Russia has been temporarily suspended for failure to respect these same principles (as Greece once was, during the Regime of the Colonels). All these peoples are European, then, which means that Russia's aggression against the Ukrainian people casts a disturbing shadow of civil war in Europe. Considerable attention must be paid in contemporary debate to this latter aspect of European current affairs, given its profound geopolitical implications and the resulting harmonic waves that are spreading to the fields of energy, food, climate, security and international relations: all important dimensions that would favour the spread of world federalism.

Finally, it is important to mention the visible and growing presence of economic antinomies that, while not merely bearers of conflict, are nevertheless likely to be resolvable only on a global scale. Briefly, the economics of need and of development are now moving along increasingly and dramatically divergent trajectories, and this applies both at the level of individual nations and globally. Need- and survival-based economics, after seeming less prominent for a time, are back to the fore, and exposing the existence of situations of absolute poverty and relative levels of inequality the like of which the world has probably

never seen before; on the other hand, on the development side, we are seeing the emergence of public and private models (illustrated respectively by the football World Cup in Qatar and the astronomical size of some individuals' fortunes) that are placing some modern areas of development (communications, technologies) beyond the economic and institutional reach of many peoples and governments. Ernesto Rossi's prophetic warnings on the need to "abolish poverty" (even by law!), like the call of global federalists for a basic subsistence guarantee, today sound like a fierce rebuke also to world federalism, which remains impervious to calls (such as those of Antonio Papisca in his time) for these guarantees of survival to be provided not only to single individuals, but also extended to the poorest states. Similarly, the universal civil service project (often invoked by European federalists), far from emerging as a concrete measure of European and world citizenship, is not even present on political and institutional agendas, even in settings where the current economic and social situation would make it a hugely valuable instrument.

What the occasional glimmers of European federalism and even weaker ones of global federalism show is that the path to follow is complex. It is therefore all the more important to embark on it with determination. In this regard, the need to raise awareness is clearly an urgent one for our civil societies.

*Raimondo Cagiano de Azevedo*

## THE WORLD FEDERALIST MOVEMENT'S STRATEGY TO BRING ABOUT A “WORLD CONSTITUENT MOMENT”

During 2022, the World Federalist Movement (WFM) held a series of twice-weekly online meetings with the aim of outlining a new strategic plan ahead of its next world congress. The “Theory of Change” (TOC) method used by the United Nations to organise internal debates was also used in this setting. It is an apparently neutral mechanism in which all participants are placed on the same level, although proceedings are directed by a member of the Executive Council, who naturally introduces and guides the debate. I joined this working group with the aim of comparing the strategy adopted by the European Federalist Movement for the construction of a European federation with that adopted by world federalists. My aim was to identify a common goal for an action that might unite the forces of European and world federalists. At present, the strategy of the WFM is based mainly on proposals to amend the United Nations Charter. One of these is the formation of a United Nations Parliamentary Assembly (UNPA), and it is supported by Andreas Bummel (and his organisation Democracy Without Borders), whose goal is to create, with the backing of a coalition of favourable governments (a “coalition of the willing”), a world parliamentary assembly.

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The discussion in the TOC meeting of 4 October was devoted to Andreas Bummel’s UNPA proposal. There was no time for an open and in-depth debate. I am sceptical about the idea of a “coalition of the willing”. In an international situation in which a war between great powers is under way and in which the US defends the ideology of an inevitable clash between democracy and authoritarianism (a variant of the “clash of civilisations”), such a coalition is unattainable. A world constituent

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<sup>1</sup> This text first appeared in Bulletin no. 33, entitled *All Together*, of the World Federalist Movement/Institute for Global Policy (WFM/IGP); we reproduce it with the permission of the publisher.

moment can manifest itself only in the face of a common danger that forces all the parties involved to engage in dialogue and take joint decisions. In our century, this danger is the looming threat of an irreversible environmental crisis. My aim is to promote the introduction of a joint UEF-WFM campaign for a Global Green Deal.

The United Nations is in crisis, and it is a deep crisis that will continue to worsen unless we can stop the trend that is seeing international politics increasingly dominated by conflict and tensions between the world's major powers. After the collapse of the USSR, a prosperous and peaceful world seemed within reach. But now, in the twenty-first century, we have to acknowledge that hopes of this kind were only illusions. Today we are witnessing the unfolding of a fierce war in Europe, which is in danger of degenerating into a nuclear war, and the United Nations, an organisation created to preserve peace, does not have the necessary powers to act. Many have denounced its failure; I cite as an example an article by Branko Milanovich,<sup>2</sup> who asks if the UN still exists. Federalists should recognise that “international law” is an artificial construction: nothing more than a set of international agreements of norms and procedures that can be violated by nation states, and therefore have no binding value. Immanuel Kant, in *Perpetual Peace*, perfectly encapsulates the falsity of “law” that carries no sanctions: “One cannot conceive of international right as a *right to war*, since this would be a presumptive right to determine what is right...”<sup>3</sup>

I am in favour of campaigning for a World Parliamentary Assembly (UNPA) because national democracy is in danger. The system of international relations is increasingly conditioned by the ideology of nationalism. Hamachandra Basappa<sup>4</sup> rightly denounces the abuses of nationalism in India (“this happens due to some incentives or a threat of investigations against some of the legislators. To contest an election, politicians and political parties spend millions of rupees [...] those with a national footprint join regional parties and contest the election”). The nationalism of the twenty-first century uses different tools from those of the last century, but the results are the same: national democracy is progressively suffocated until the political system falls into the hands

<sup>2</sup> B. Milanovic *Does the United Nations Still Exist?*, Social Europe, 3 October 2022, <https://www.socialeurope.eu/does-the-united-nations-still-exist>.

<sup>3</sup> I. Kant, *Toward Perpetual Peace and Other Writings on Politics, Peace, and History*, edited by P. Kleingeld, Yale University Press, 2006, p. 81.

<sup>4</sup> The quote is taken from a comment on my article by Hamachandra Basappa, circulated within the WFM. My article was published in *New Federalist Papers* and in Bulletin no. 33, entitled *All Together*, of the World Federalist Movement/Institute for Global Policy (WFM/IGP).

of an autocrat. Mussolini and Hitler did not seize national power by force, but exploited an international crisis — fear of communism and social unrest — to gather the votes of a population frightened and eager for order. The institutions of national democracy — the rule of law, the popular vote, etc. — are not sufficient. National democracy collapses when the system of international relations is dominated by power politics and threats of war. We find ourselves in this situation now, and our enemy is nationalism. A world parliament is an alternative, but is it possible?

Even the United States, the beacon of democracy in the world, is today threatened by the danger of nationalism. If Donald Trump wins the next presidential election, US nationalism — “America First” in foreign policy and white supremacy at home — will become a model imitated in other countries: international anarchy will increase. US domestic policy is conditioned by the country’s foreign policy, and Biden’s is not that different from the “America First” variety. Russia’s invasion of Ukraine gave Biden an opportunity to further enlarge NATO, thus filling the power vacuum in Europe caused by the lack of a European defence. While this strengthening of NATO was certainly necessary to curb Russia’s aggression, it has handed ammunition to those, primarily Russia and China, who attack the West’s foreign policy as neo-colonial. NATO is a military alliance, and it is also a form of nationalism because it divides the world into friends and enemies.

In the coming years, the European Union may manage to equip itself with its own means of defence and define a foreign policy of its own that will give it political independence without requiring it to renege on its pact of friendship and cooperation with the USA. Without its own foreign policy, the EU risks disintegration. The war in Ukraine, when it ends, will leave behind a further painful division in Europe: the Iron Curtain created during the Cold War will move from Berlin to Kyiv. Russia is a Euro-Asian country, and Europe and Russia must succeed in overcoming their divisions and find a way to break down the borders between them. While I cannot discuss this next point in depth here,<sup>5</sup> I would remark that US foreign policy, to the extent that it exacerbates the contrast between “democracy” and “authoritarianism”, constitutes an obstacle to a serious policy of détente and peaceful international co-operation. What the United States, together with Europe, should instead seek to do is engage all countries, including the “authoritarian” ones,

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<sup>5</sup> I refer to: *A new Atlantic Charter*, Social Europe, 8 June 2022 <https://socialeurope.eu/a-new-atlantic-charter>.



in serious discussion of how the major world emergencies, from military disarmament to the environmental crisis, can be addressed through peaceful and democratic procedures.

Samuel Huntington's teaching on "the clash of civilisations"<sup>6</sup> is misleading. Peaceful dialogue between different civilisations is both necessary and possible. Consider the case of China. The political scientist Zhao Tingyang recently described in great historical detail the theory of the *Tianxia* system, which developed in ancient China about 2,800 years ago.<sup>7</sup> *Tianxia* means "all under heaven" and it refers to a political ideology whose purpose was to maintain unity and peaceful cooperation between different political communities in the central plains of China. The use of the word "all" indicates that beyond these peoples, there were not believed to be others: it was therefore a cosmopolitical vision. At the heart of this thought was the notion of "compatibility" which "refers to the capacity to transform enemies into friends within a pluralistically inclusive order of political security and peace".<sup>8</sup> Zhao Tingyang does not confine himself to historical reconstruction of the concept of *Tianxia*, but instead goes on to propose it as a crucial idea for contemporary politics — a strategy to overcome the dangerous conflicts and tensions between major world powers. Here is his concluding proposal, in which he refers to: "the destructive forces unleashed by advanced technology which is far more likely to lead to the end of the world. Facing this problem, the only possible deliverance is to be establishing world institutions that can secure the flourishing of all persons and all states. And this would require the creation of new rules of the game that alter a logic of competition in order to bring about a world system based on universal compatibility and peaceful coexistence".<sup>9</sup> Ultimately, all the cultures that have grown up in all the continents contain a humanistic core that can be traced back to their very roots, given that they were born to unite human communities. A twenty-first-century humanistic and cosmopolitical culture is not a utopia, but a goal that can be achieved, with tenacity and courage. Humanity can become a political subject, and eventually the world will unite thanks to a new cosmopolitical humanism. Russia and China are not democratic coun-

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<sup>6</sup> S.P. Huntington, *The Clash of Civilizations and the Remaking of World Order*, New York, Simon and Schuster, 1996.

<sup>7</sup> Zhao Tingyang *All Under Heaven. The Tianxia System for a Possible World Order*, University of California Press, Oakland, 2021, <https://www.ucpress.edu/book/9780520325029/all-under-heaven>.

<sup>8</sup> *Ibidem*, p. 18.

<sup>9</sup> *Ibidem*, p. 192.

tries — the first is an autocratic regime, and the second a one-party regime —, but dialogue with their citizens is possible. The WFM should try to open new sections in Russia and China. The debate for a cosmopolitical culture must start from the bottom, without prejudice and with mutual respect.

These considerations on Chinese political culture and on cosmopolitical humanism allow me to conclude with some proposals on the strategy necessary for the WFM to initiate a constituent moment. As I wrote in a previous paper,<sup>10</sup> it is worth bearing in mind that constitutions are written by constituent assemblies only at the end of a constituent process. The difficult task facing the WFM now is to identify how the constituent moment might begin. As I remarked in my paper, the most promising way forward is an initiative for a Global Green Deal, to be implemented through a reform of the International Monetary Fund (IMF) based on the Triffin Plan, which would allow China to be involved and the dollar (as an international reserve currency) to be replaced with SDRs based on baskets of world currencies, and also through a Constitution of the Earth, a pact between humanity and nature serving to define universal environmental legislation and give the International Criminal Court (ICC) jurisdiction to punish crimes of “ecocide”. Many ecologists support such reforms,<sup>11</sup> which do not create the world federation (for example, they do not propose universal military disarmament), but do represent a step towards that goal; in other words, they provide governance of environmental sustainability policies, not global governance in the sense of a world federal government. This kind of partial approach to the constituent problem dates back to the start of my experience in the MFE, when European federalists, following the 1971 collapse of the Bretton Woods system, began to discuss a campaign for a European currency. The problem though, they knew, was that a European currency is not the same as a European federation. And so, Mario Albertini proposed the concept of “constitutional gradualism”, meaning building a state piece by piece. On this basis, we launched the campaign for the European currency and for the direct election of the European Parliament. In 1979, European governments initiated the EMS (European Monetary System) and European citizens

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<sup>10</sup> G. Montani, *Coesistenza pacifica e momento costituzionale*, L'Unità Europea, n. 4, July-August 2022, p. 15; Eng. Translation, “Peaceful Coexistence and Constitutional Moment”, in WFM Bulletin, 17 August, 2022.

<sup>11</sup> V. Cabanes, *Un Nouveau Droit pour la Terre. Pour en finir avec l'écocide*, Paris, Seuil, 2015, <https://www.seuil.com/ouvrage/un-nouveau-droit-pour-la-terre-valerie-cabanes/9782021328615>.

elected the European Parliament by universal suffrage. We have not yet reached a European federation, but a European Union, with its own currency, does exist and the struggle to overcome its institutional shortcomings is ongoing.

Since, in the context of the pursuit of a world constituent moment, the term “pre-conditions” has probably generated misunderstandings, I propose replacing it with “constitutional gradualism”, in reference to the institutional steps forward that are necessary in order to reach the world federation. I hope that the WFM, viewing the UNPA and Global Green Deal campaigns from this perspective, will have no problems promoting them. The one proposal complements the other, the first indicating that a step must be taken towards international democracy, the second that a system of “global governance for the environment” has to be created. These are objectives that the European Union, in particular the European Parliament, could support as a central chapter of its foreign policy. In developing this policy, the federalists — both European and World federalists — would find many allies in the NGOs and beyond. The EU is the first example of a supranational union that has abolished the borders between its member countries, and can act to abolish national borders beyond Europe. The campaign for a Global Green Deal and a world parliament would be a first, perhaps decisive, step towards a world constituent moment.

*Guido Montani*

## **THE AGGRESSION AGAINST UKRAINE AND THE OUTLOOK FOR FEDERALISM IN THE WORLD**

### *The New International Political Scenario.*

Russia's war against Ukraine has profoundly changed the international political scenario. The international political system is divided once again, just as it was during the Cold War. Power politics is back, and with it the worrying risk of an escalation that could lead to the use of nuclear weapons, as Russian government leaders have repeatedly threatened. All this is accompanied by a global economic crisis characterised by inflation, the threat of recession, and deepening social inequalities.

The first casualties of this deterioration in the international political climate are the nuclear non-proliferation treaties: in this regard, we may cite the abrogation of the Iran nuclear deal and the demise of the INF Treaty, as well as the fact that the latest two Nuclear Non-Proliferation Treaty review conferences, held in 2015 and 2022, ended in failure to agree on an outcome document.

Putin has destroyed the pillars on which Russia's relations with the civilised world were based, and the rules governing peaceful coexistence between the world's leading political players. In his opening address to the United Nations General Assembly on 20 September, 2022,<sup>1</sup> António Guterres declared that "Our world is in peril — and paralysed (...). The international community is not ready or willing to tackle the big dramatic challenges of our age". In a sobering assessment of the present and future ills of a world that is close to an irreversible tipping point, a world in which we risk having "No cooperation. No dialogue. No collective problem solving", he concluded that the time has come to revive the fundamental values on which the United Nations is based.

The invasion of Ukraine is the latest example of the disorder currently sweeping the world. Russia has violated the rules of the world

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<sup>1</sup> United Nations, A. Guterres, *Secretary-General's Address to the General Assembly*, September 2022, pp. 5-6, <https://www.un.org/sg/en/content/sg/speeches/2022-09-20/secretary-generals-address-the-general-assembly>.

order that were stipulated in 1945 and 1991. However, Putin's original plan to overcome Ukrainian resistance in the space of a week and replace Zelensky with a puppet government has failed, and Russian troops have pulled back to the left bank of the Dnieper River. It thus appears that Russia, a petrostate struggling with serious economic backwardness, has no chance of winning the war. Meanwhile, its aggression against Ukraine has had the effect of strengthening the cohesion of the international alignment that supports Kyiv, as shown both by the EU's endorsement of Ukraine's application to join the bloc, and by Sweden and Finland's applications for NATO membership; and it also appears to have irritated Russia's allies, China and India, which have condemned Putin's nuclear threats. In short, Russia has progressively isolated itself from the international community. However, backed into a corner from which it has no escape route, it retains the capacity to lash out, and for this reason is still dangerous.

### *Europe's Dependence on Russian Gas.*

This war cannot end with a winner and a loser. Russia's status as a great nuclear power means that its defeat, in a traditional military sense, is impossible. A compromise solution will therefore have to be found, which is what Macron meant when he warned that Russia must not be humiliated. Considering that supplying arms to Ukraine and imposing economic sanctions against Russia have thus far been insufficient to stop the war, an immediate ceasefire is now the first step needing to be taken in order to resume the process of building world peace.

Had the EU adopted the total embargo on imports of Russian gas and oil as soon as Ukraine was invaded, in line with the position of the United States and following a proposal by the European Parliament, Russia would have been deprived of the resources it needed to finance the war. It was a unique opportunity, but the EU wasted it. As a result, the ball is now back in Russia's court, making it highly likely that the Russians will turn off the gas taps. Now, negotiations can only be started once both sides accept, given the existing balance of forces, that neither of them can prevail.

Europe's dependence on Russian gas has proved to be a colossal strategic mistake that has tied the hands of most of the European countries, especially Germany and Italy. The idea that Russia, because of its economic backwardness and high economic dependence on fossil fuels (destined to run out and be replaced by renewable energy sources), would be forced to seek some form of partnership with the EU, and more

generally with the West, in the mould of Willy Brandt's *Ostpolitik*, has turned out to have no basis in fact. The decision to build the Nord Stream 2 pipeline was taken a year after Russia annexed Crimea, when Putin's expansionist ambitions were already clear to see. Until the war actually began, though, Germany continued to believe in the prospect of détente and dialogue with Moscow. Now, with winter almost upon us, the EU must take steps to remedy the situation, by stepping up its pursuit of energy independence, i.e., by replacing fossil fuels with renewable energy resources as far as possible, by storing gas in order to be able to cope with the reduction, or even interruption, of gas supplies from Russia, and by diversifying its supply sources, importing more from Norway, Egypt, Israel, Azerbaijan and Algeria. Given that the world depended on fossil fuels for 82 per cent of its energy in 2021, a proportion that has dropped by only three percentage points in the past five years,<sup>2</sup> it is clearly delusional to count on a rapid decarbonisation of the production system, a process that is still destined to take a number of years.

*The War in Ukraine Is Preventing Progress on the Road to World Federalism.*

It is important to consider that the war is not simply a conflict between Russia and Ukraine. It is a war waged by Russia against the EU and what it represents for the world, i.e.:

- a model of international democracy which extends its range of action beyond national borders without resorting to weapons, and has shown that it can unite the European peoples under the flag of the great political values of freedom, democracy, human rights and welfare state;
- an international organisation based on the rule of law and defence of human rights as opposed to strength relations among sovereign states;
- a global player with the capacity to drive the formation of a multi-polar international political system able, through international co-operation and multilateralism, to replace the violent antagonism of hostile forces.

The war has upset the order of priorities on the world political agenda, and as long as it goes on there can be no resumption of dialogue between the great powers, or progress in terms of spreading multilateralism and federalism in the world. Military spending absorbs huge fi-

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<sup>2</sup> *bp Statistical Review of World Energy*, 2022, 71<sup>st</sup> edition, [https://www.bp.com > global > pdfs > statistical-review](https://www.bp.com/global/pdfs/statistical-review).

nancial resources that could be used for the investments needed to promote the transition towards a sustainable development model, in other words, to finance the transition from fossil fuels to renewable energy, the welfare state, the European social model, the digital transformation, arms reduction, and so on. This is why the priority goal of federalist strategy has to be the ceasefire that will make it possible to negotiate peace and silence the arms. Now, though, is not the time to dwell on the details of a plan to build a new and peaceful world order: to do so would amount to putting the cart before the horse.

We need to be aware that, under the current circumstances, conditions favourable to the return of multilateralism and to the spread of federalism can manifest themselves only in those great regions of the world whose internal cohesion is stronger than the cohesion, at world level, fostered by the phenomenon of globalisation. The EU stands out in this regard. And it is actually the Russian invasion, by prompting Ukraine to apply to join the EU, that has restarted the Union's process of enlargement. At the same time, Europe also needs to create an energy union, which would represent the largest transfer of sovereignty since the monetary union and would put Europe in a stronger position to negotiate gas prices with Russia. Finally, it is important to remember that energy transition is the key way to fight the deadly threat of climate change.

But the African Union and Latin America also offer the conditions necessary to move towards closer forms of economic and monetary union. In 2019, the African Continental Free Trade Area was created, while in 2007, Mercosur and the Andean Community created the Union of South American Nations (UNASUR). To develop further, these two integration processes need external support, which the EU, the world's largest economic and monetary union, could provide.

### *Regional Organisations as Pillars of UN Reform.*

The United Nations Charter (Articles 52-54) clearly recognises the role played by regional international organisations in the maintenance of peace and security. They represent one of the most significant innovations in international relations seen in the 20<sup>th</sup> and 21<sup>st</sup> centuries. It is, after all, hard to imagine that world peace might be brokered between member states numbering as many as 200 or so. In fact, the steady increase in UN member states (there are now almost four times the number there were in 1945) has led to an alarming trend towards fragmentation and anarchy in this setting. And the great disparity in the size and power of the member states is the UN's most serious structural flaw.

Regional organisations represent an intermediate level of governance between nation-states and the United Nations. It should be noted that the different regional integration processes differ considerably in scale. An idealistic enthusiasm for large-scale solutions, illustrated by the Bolivarian project for a federation of Latin American peoples or by pan-Africanism and pan-Arabism, coexists with sub-regional integration processes, which better reflect the current extent of economic and social interdependence.

Regional peace-building is a prerequisite for promoting world peace. The regional government is an indispensable tool for making the functioning of the United Nations more efficient, fairer and more democratic. Regional groupings of states represent an alternative to the United Nations' current structure, which reflects the power disparity between states of different sizes (ranging from city-states such as San Marino to states of subcontinental dimensions such as India), and to the organisation's fragmentation into an unmanageable number of states. In other words, having a smaller number of players in the international system of states would facilitate negotiations and international cooperation.

It should be noted that within the United Nations, regions are understood to correspond to continents, with the notable exception of Europe, which, in a hangover from the Cold War, continues to be divided into East and West. To distribute the seats within the UN, the member states are divided into five groups: "Asia-Pacific States", "African States", "Latin American and Caribbean States", "Eastern European States", and "Western European and other States". The last of these groups includes Canada, Australia, and New Zealand, while the USA is a special case, i.e., it "is not a member of any regional group, but attends meetings of the Group of Western European and other States as an observer and is considered to be a member of that group for electoral purposes."<sup>3</sup> The Eastern European group includes Russia, a state that is both European and Asian.

It is, nevertheless, important to take into account the difference between continents and regions, the latter being a term that may, in turn, refer either to regional organisations or to geographical regions. The Asian continent, for example, includes six regions, i.e., four regional organisations, namely, the Commonwealth of Independent States (which

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<sup>3</sup> United Nations, Department for General Assembly and Conference Management, *Regional Groups of Member States*, <https://www.un.org/dgacm/en/content/regional-groups>.



includes the European part of Russia), the Arab League (which includes North Africa), the South Asian Association for Regional Cooperation (SAARC), and the Association of Southeast Asian Nations (ASEAN), and two geographical regions, i.e., China and East Asia (which includes Japan and the two Koreas).

Regional organisations, insofar as they bring together groups of states, must be understood as building blocks of the world community, an intermediate level between nation-states and global institutions. They do not replace states, nor do they eliminate their autonomy. They constitute the framework within which legislative, executive and judicial bodies can evolve to enable them to address issues with a regional dimension. In accordance with the principle of subsidiarity, nations should ideally be represented at regional level, and the world's large regions at global level.

In 2011, the EU became the first international organisation to be granted enhanced observer status in the United Nations General Assembly. This status gives it the right, for example, to speak in debates before individual states, circulate documents, and submit proposals and amendments. The granting of it to the EU is a step that should encourage stronger cohesion of other regional groups within the General Assembly, allowing them to obtain a voice in the Security Council and transform it into the council of the great regions of the world.

Such a change in the structure of the Security Council would conceivably help the world order to evolve in a more democratic, more just, more balanced and more peaceful direction, as it would allow all states, through their respective regional organisations, to be represented in the Security Council, as opposed to just the strongest ones, as is currently the case. Furthermore, a reorganisation of the United Nations into groups of states of equivalent size and power could make it possible to gradually overcome the hegemony of the great powers and the inequality that exists between states. Finally, the unjust discrimination between permanent and non-permanent members of the Security Council could be overcome by replacing the right of veto and unanimity voting with a democratic majority voting system.

### *Towards the Transformation of the Security Council into the Council of Great Regions of the World.*

The end of the bipolar world order, among its main effects, rendered the composition of the Security Council anachronistic and created the need to expand and transform it from a directorate, made up of the five

major powers, into a more representative body. There are two ways of tackling this problem.

The traditionally proposed solution is to open up the Security Council to the strongest states, those that have risen to the top places in the hierarchy of world power, attributing a permanent seat to Germany, Japan, Brazil, India and one or two large African countries, yet to be identified. The purpose is to enlarge the Security Council to the strongest states, which would act as regional gendarmes, and to entrust them with the task of representing the smaller states belonging to the same region. Thus, Germany would represent the Benelux countries, the Scandinavian ones and those of Central and Eastern Europe, while Japan would represent the countries of the Far East, South-East Asia and the Pacific.

However, the original idea of giving Germany and Japan permanent seats on the Security Council — this was seen as a rapid way to address the need to reform this body and it had the support of the USA — was flawed and unrealistic, and so it was abandoned. Indeed, it would have strengthened the hegemony of the North over the South of the world and would also have given Western Europe three seats and therefore an absolutely disproportionate weight. Similarly, the more recent suggestion that the Security Council could be enlarged to include Latin American, Asian and African states, runs into similar difficulties, as the excluded countries are unwilling to be represented by the more powerful states in their respective continents. It is a proposal that reflects the principles of domination and inequality that determined the current structure of the Security Council, and as such it fails to meet the needs of today's world and does not comply with the objectives of equality and justice that the EU wishes to affirm in the field of international relations.

The best way to achieve Security Council reform that is both fair and more in line with the evolution of power relations in the world is to pursue the formation of regional groupings of states. A world order reorganised on this basis is an alternative not only to the fragmentation of the world into a plethora of small and very small states, which find themselves pitted against the large ones, but also to the hierarchies that are inevitably created as a result of power gaps between states.

The EU's growing cohesion and the prospect that it could become an international player within the UN both depend very much on the extent to which it can move forward with its unification process. It should be remembered that, despite the divisions that exist within the EU on the major issues of international politics, the positions of

its member states show, overall, a high degree of convergence. This occurs especially in the fields of trade, economic and monetary policy, where Europe is able to speak with a single voice. In the WTO and the FAO, the European Commission represents all the EU member states, and within the UN, the EU already acts as one in most cases. Europe's Achilles heel is the fact that its foreign and security policy decisions have to be taken unanimously. That is the problem that has to be overcome in order for the EU to be able to take a seat on the Security Council.

Granting the EU a seat on the Security Council could put an end to the hegemony, within it, of the bloc's two most powerful states (France and Germany), and also to Germany's pressing for a permanent seat. It should also be considered that making Germany a member of the Security Council could potentially encourage the country to develop its own foreign policy, independently of the EU, which in turn might conceivably provide a stimulus for a reawakening of German nationalism. Moreover, if Germany's demands were met, how would it be possible to ignore those of Italy, Spain, Poland and so on? If the Europeans were to decide to start giving precedence to national interests once again, then the whole project of a united Europe would be irreparably damaged. And yet, paradoxically, this occurs when institutional advances intended to strengthen the EU's ability to speak with a single voice, are in the political agenda.

The Treaty of Lisbon, by recognising the legal personality of the EU, creating a quasi-minister of foreign affairs (the High Representative of the Union for Foreign Affairs and Security Policy), and promoting the formation of a single security system through the Permanent Structured Cooperation mechanism (PESCO), has given the EU the possibility to strengthen its international role. To facilitate the pursuit of this objective, PESCO, unlike the enhanced cooperation mechanism, does not require the involvement of a minimum number of states in order to be triggered. Just as Germany gave up the *Deutsche mark* to allow the birth of the euro, so France today is called upon place its seat on the Security Council at the disposal of Germany and the other partners in a structured cooperation, thereby paving the way for the creation of a European seat.

It should be remarked that the German government, even though it has repeatedly changed its position, has often declared that it would be willing to give up its claim to a seat on the Security Council, should the prospect of creating a European seat materialise.

The European Union, precisely because it represents the most advanced of the regional unification processes under way in the world, is best placed to bring about the transformation of the Security Council into the Council of the great regions of the world. By becoming a member of the Security Council, it will be, for the rest of the world, a model of reconciliation between nation-states, and will give other world regions, still divided into sovereign states, the impetus to pursue their own federal unification.

Ultimately, the solution we have examined offers three advantages: first, it would allow all states (and not only the strongest ones, as is currently the case) to be represented in the Security Council through their respective regional organisations; second, it would allow the hegemony of the superpowers and the inequality between states to be progressively overcome through a reorganisation of the UN based on groupings of states of equivalent size and power, and in particular it would give the developing countries of Africa, the Arab world, Latin America, South Asia and South-East Asia the chance to discover that political and economic unification offers them their best chance of getting rid of their condition of dependency; third, it would allow the unjust discrimination between permanent and non-permanent members to be definitively overcome by replacing veto power and unanimity voting with the majority voting system required by democratic principles.

### *Towards Global Multilevel Governance.*

The above-outlined UN reform project suggests that the state needs to be rethought and reorganised, not abolished. Even though Hobbes, in *Leviathan*, defined it as “a mortal god” (“to which we owe (...) our peace and defence”),<sup>4</sup> the state, even in the face of the challenge of globalisation, still survives. In contemporary political science literature, the reorganisation of state power at different territorial levels has been termed “multilevel governance”,<sup>5</sup> a formula evoking the federalist vision of political institutions that makes it possible to rethink and overcome the model of the unitary state. The classic definition of the federal government was provided by Kenneth C. Wheare, who described the federal principle as “the method of dividing powers so that the gener-

<sup>4</sup> T. Hobbes, *Leviathan*, Cambridge, Cambridge University Press, 1904, p. 119.

<sup>5</sup> I. Pernice, *Multilevel Constitutionalism and the Treaty of Amsterdam: European Constitution-Making Revisited?*, *Common Market Law Review*, 36 n. 4 (1999), pp. 703-750. L. Hooghe and G. Marks, *Multi-Level Governance and European Integration*, Lanham, Rowman & Littlefield, 2001.

al and regional governments are each, within a sphere, coordinate and independent".<sup>6</sup>

It is pure illusion to think that destroying the nation-state can, by itself, lead to stronger forms of solidarity. Certainly, the nation-state was the expression of the strongest concentration of power and the deepest political division the world has ever known; however, as shown by just some of the many examples of failed states — we might think of Somalia, Yugoslavia, Libya, Congo, Sudan, Afghanistan —, disintegration of the state signifies a regression to primitive barbarism, fierce tribal hatreds, and archaic forms of solidarity based on ethnic or religious bonds.

In the face of such phenomena, one cannot help but appreciate the positive role of national solidarity in overcoming local, regional and class-based selfishness, and the unique role it has played in history. After all, France, Spain, Italy and Germany all succeeded in unifying populations with different ethnic, linguistic and religious backgrounds, and this unity was naturally acquired through centralisation, i.e., by sacrificing pluralism.

In truth, the post-national space remains an unknown territory. Federalism, however, has helped to identify and clarify the limits of the nation-state experience, specifically by denouncing the exclusive character assumed by the bonds of national solidarity, which admit no form of loyalty towards communities bigger or smaller than the nation. That said, suppressing national solidarity in the era of globalisation would be a mistake. Rather, it must be seen as a step on the ladder leading to broader forms of solidarity, both between nations within federations embracing entire world regions, and between macro-regional federations within the world federation. At the same time, national solidarity does not and should not exclude solidarity within local and regional communities, as the two can coexist. The federal model is, indeed, an institutional formula that allows the coexistence of different forms of solidarity towards territorial communities of different sizes, ranging from small local communities to the whole world.

*Lucio Levi*

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<sup>6</sup> K. C. Wheare, *The Federal Government*, Oxford, Oxford University Press, 1964, p. 11.

## THE WORLD FEDERALIST MOVEMENT AND THE TRANSITION TOWARDS A NEW WORLD ORDER

This year marks the 75<sup>th</sup> anniversary of the Montreux Declaration, the text approved, on 23 August, 1947, by the first congress of the *Mouvement Universel pour une Confédération Mondiale* (MUCM).<sup>1</sup> In June 1986, during a meeting in Aosta, the MUCM became the *World Federalist Movement*.<sup>2</sup> This anniversary is a good starting point for making some initial considerations on the situation of the organisation that brings together the federalist movements operating in various parts of the world, and also, in the light of the current world political scenario, on the action it might potentially take in the future.

### *The Events and Circumstances Calling for a New Strategy Towards World Federation.*

The years leading up to and, in particular, following the Montreux Declaration saw the world split into two opposing blocs, led respectively by the USA and the former Soviet Union, and then drawn into the Cold War. Moreover, in the Western world, they were years characterised by the undisputed leadership, both military and economic-financial, of the USA. This phase ended at the end of 1991 with the collapse of the USSR and subsequent dissolution of the Eastern bloc, events that opened a brief period in which talk of American unipolarity reinforced the expectation that the liberal democratic model might progressively be extended to the whole world under the direction of the USA; China's possible entry into the World Trade Organisation was seen as a step in this direction. World politics, however, followed a different path, one already anticipated by federalists even when such developments could barely be predicted.<sup>3</sup>

<sup>1</sup> MUCM, *Déclaration de Montreux*, [https://www.cvce.eu/content/publication/1999/1/1/adf279f7-80a4-4855-9215-48a5184328aa/publishable\\_fr.pdf](https://www.cvce.eu/content/publication/1999/1/1/adf279f7-80a4-4855-9215-48a5184328aa/publishable_fr.pdf).

<sup>2</sup> J.-F. Billon, *Towards World Unity of the Federalists*, *The Federalist*, 29 n. 2 (1987), p. 137.

<sup>3</sup> M. Albertini, *La fin de l'équilibre bipolaire*, *Le Fédéraliste*, 6 n. 2, p. 63, <https://www.thefederalist.eu/site/index.php/fr/editoriaux/1188-la-fin-de-lequilibre-bipolaire>;

The aim here is not to retrace all the steps that have led to the current global framework, now universally described as “multipolar”, but to recall just two specific events that, even though their significance is already well known to federalists, are worth highlighting here because they mark the direction in which world politics is moving. The first, immediately recognised by federalists as the “end of the bipolar equilibrium”, was China’s detonation, in 1964, of its first atomic bomb, which was its way of rejecting the Soviet leadership of the communist world. The second was America’s decision, in August 1971, to suspend the convertibility of the dollar into gold, which amounted to an admission that it was no longer able to maintain monetary order globally; it also showed the USA’s reluctance to accept solutions within the existing multilateral institutional framework, such as Triffin’s idea of resorting to the use of special drawing rights (SDRs). This American line was, in fact, the first blow dealt to the functioning of the multilateral institutions that, inspired by the Americans, had been created at Bretton Woods in 1944.

The phase that has opened up in recent years, therefore, seems to be characterised, on the one hand, by the USA’s increasingly evident incapacity to guarantee its leadership of the Western world, also from a security perspective, and on the other by the rest of the world’s growing rejection of the prospect of the West retaining its sole global leadership position. A number of elements bear this out. The first, and also the most important from the perspective of the Europeans’ security, is the uncertainty concerning the future of NATO and its military structure, which has been fuelled both by Obama’s talk of European free-riding<sup>4</sup> and above all, several years earlier, by the announcement, heralding the biggest change in American military strategy since the end of WWII, that Asia, not Europe, was the most important strategic front for American security. These developments, which were followed by Trump’s condemnation of NATO as “obsolete”<sup>5</sup> and Macron’s verdict that it is becoming “brain dead”,<sup>6</sup> culminated in the

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also published in Italian: Id., *La fine dell’equilibrio bipolare*, in: Id., *Tutti gli scritti* (N. Mosconi, ed.), vol. 4 (1962-1964), Bologna, Il Mulino, 2007, pp. 679-686, [http://www.fondazionealbertini.org/sito/albertini/vol\\_iv/IV-1964-18-La%20fine%20dell’equilibrio%20bipolare.pdf](http://www.fondazionealbertini.org/sito/albertini/vol_iv/IV-1964-18-La%20fine%20dell’equilibrio%20bipolare.pdf).

<sup>4</sup> J. Goldberg, *The Obama Doctrine*, The Atlantic, April 2016, <https://www.theatlantic.com/magazine/archive/2016/04/the-obama-doctrine/471525>.

<sup>5</sup> *Donald Trump Says NATO is “Obsolete”, UN is “Political Game”*, The New York Times, 2 April 2016.

<sup>6</sup> *Emmanuel Macron Warns Europe: NATO is Becoming Brain-dead*, The Economist, 7 November 2019.

hasty withdrawal of American forces from Afghanistan, decided unilaterally by Biden in August 2021.

As clearly shown by Trump's electioneering and frequent use of the slogans "America First" and "Make America Great Again", the era of bipartisan US foreign policy, in which the importance of the Atlantic alliance is never seriously questioned (and Europe is merely criticised for failing to do enough militarily), is now coming to an end. Since the advent of Trump, who made himself a mouthpiece of the widespread feelings of discontent in American public opinion over the USA's global policing role, and of impatience with an EU that fails to take responsibility for its own security, the USA's Atlantic policy has become an important topic of political debate in the country, and it cannot be excluded that it will be questioned in the future. The EU, for its part, must start acknowledging that its security cannot depend on the outcome of American elections.

Fifty years on from the suspension of the convertibility of the dollar into gold, the USA, with Biden's decision to abruptly withdraw from Afghanistan, has actually admitted its inability, on the political and military level, to keep order in the world. The Russian invasion of Ukraine is also a consequence of this new reality, even though the eastern EU countries remain confident that they can rely on American protection in the event of a conflict.

Uncertainty about America's willingness to defend Europe by resorting, if necessary, to nuclear weapons, dates back to the evolution of American military strategy in the 1950s and 1960s and is therefore not a new development. In the 1950s, under Eisenhower, the USA had a monopoly on nuclear weapons, while the USSR was still only studying them. Back then, US policy, shaped by Foster Dulles, was to use the threat of massive retaliation as a means of preventing Soviet aggression against Europe. Subsequently, with the USSR rapidly increasing its arsenal of nuclear weapons and ICBMs capable of striking US territory, and thus brining America's nuclear dominance to an end, the new American president John F. Kennedy called for a review of the massive retaliation strategy. This led to the adoption of Robert McNamara's flexible response doctrine instead. The two strategies obviously had different implications for European security. Whereas, in the first case, America's willingness to protect Europe could be taken as read, in the second there was greater uncertainty, given that it seemed unlikely that the US would be willing to sacrifice New York in order to save Berlin or Paris. De Gaulle, in fact, having imme-



diately understood the meaning of the change in American strategy, decided that France should be equipped with its own nuclear arsenal and, later, that the country should not be part of the NATO Nuclear Planning Group.<sup>7</sup>

The other event worth mentioning is the 14<sup>th</sup> BRICS Summit, which took place on 23 and 24 June, 2022. BRICS is an acronym used to refer to an informal alliance that, embracing Brazil, Russia, India, China and South Africa, includes both authoritarian and democratic countries. It was created in 2009 during a meeting, in Yekaterinburg, between Brazil, China, India and Russia, with South Africa coming on board a year later.<sup>8</sup> The June 2022 summit ended with hypocritical words of support for the values of freedom, democracy and respect for human rights, and a common declaration reaffirming the alliance's support for multilateral institutions, in particular the WTO and the IMF.

While the BRICS alliance's support for multilateral institutions may be dictated by expediency rather than a sincere belief in the need to respect for the common rules on which they are based, the fact is — and this is a currently decisive aspect — it does not call these institutions into question; to date, in fact, it is actually the USA that has created obstacles to their functioning.<sup>9</sup> And let us remember that it is the state of America's global leadership, and that of the “Western world” generally, that is our focus here, not differences between “democratic systems” and “authoritarian systems”. And in this sense, the positions adopted by the BRICS countries in the UN General Assembly vote on the resolutions condemning Russia's invasion of Ukraine are revealing. On 3 March, 2022, the Assembly almost unanimously (141 votes) condemned the aggression, with only five countries voting against the resolution and 35 abstaining: the latter included China, India and South Africa, whereas Brazil voted in favour. On 7 April, on the other hand, the American proposal to suspend Russia from the Human Rights Council garnered 93 votes in favour, 24 against, and 58 abstentions. China voted against, while Brazil, India and South Africa abstained.

We have already cited Russia's invasion of Ukraine as a mark of the USA's inability, in the political and military spheres, to keep order

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<sup>7</sup> C. Ailleret, *Opinion sur la théorie stratégique de la “flexible response”*, Revue Défense Nationale, n. 227 (1964), pp. 1323–40.

<sup>8</sup> Cf., for example, C.F. Domínguez, J.P. Santos Araujo, *Brazil and other BRICS Countries*, World Affairs: The Journal of International Issues, 16 n. 1 (2012), p. 164–79.

<sup>9</sup> S. Biscop, *Biden's National Security Strategy: Three Important Truths for Europe*, <https://www.egmontinstitute.be/bidens-national-security-strategy-three-important-truths-for-europe>.

in the world, and of the end of American unipolarity. To this we should add further indicators, perhaps less known but more worrying, of the current instability of international relations, namely, the progressive increase in military expenditure and the level that this has reached in absolute terms. Using statistics produced by the Stockholm International Peace Research Institute (SIPRI), it is possible to reconstruct the trend of military expenditure from the years of the Cold War up to today. Looking solely at the most significant years, we can see that military spending (expressed in 2020 values) peaked in 1988, when Cold War tensions were at their highest, at a total of 1,499 billion dollars. From that year and in particular after the collapse of the USSR, military expenditure fell progressively, reaching a minimum of 1,054 billion dollars in 1996; it then remained at this level for roughly five years, after which it rose progressively, reaching 1,969 billion in 2021, at which point it had almost doubled over the previous fifteen years.<sup>10</sup> While it goes without saying that American and Chinese military expenditure is responsible for the biggest share of this increase, Europe is also set to make its contribution in the coming years. Indeed, over the next five years, EU military spending is expected to roughly double to 400 billion euros, taking global military expenditure to well over the 2,000-billion-dollar mark.

### *The World Federalist Movement's Situation.*

The new global framework raises the problem of how best to configure the relationship of collaboration between the European federalist organisations (the MFE and the UEF) and the WFM, and in particular, the question of the issue around which this collaboration can be launched. However, before putting forward proposals that, it is hoped,

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<sup>10</sup> SIPRI, *Military Expenditure Database*, <https://www.sipri.org/databases/milex>. A brief comment on these data is called for. It is true that we are witnessing a substantial increase in military spending overall, but this fact conceals another much more important one. The increase in expenditure on armaments is also due to the fact that the military sector is experiencing unprecedented technological innovation. This bumps up the unit cost of weapon systems. To give a recent example, while the B-52 strategic bomber of the Cold War years, at 2012 prices and exchange rates, had a unit cost of 84 million dollars, the next generation bomber, the B-1, had a unit cost of 277 million dollars; moreover, the recently presented B-21 strategic bomber, intended to replace both the B-52 and the B-1, is estimated to have a unit cost (in 2022 values) of 692 million dollars (including costs of training, parts, and future modifications as needed) — that is eight times the cost of the B-52 and more than double the cost of the B-1. (*B-21 Raider makes public debut; will become backbone of Air Force's bomber fleet*: [https://www.globalsecurity.org/military/library/news/2022/12/mil-221202-usaf01.htm?\\_m=3n%2e002a%2e3485%2etm0ao0d52y%2e38hf](https://www.globalsecurity.org/military/library/news/2022/12/mil-221202-usaf01.htm?_m=3n%2e002a%2e3485%2etm0ao0d52y%2e38hf)).

might be useful for the debate, it is necessary to take stock of the WFM's situation.

The WFM has enjoyed a certain global notoriety for around a quarter of a century, i.e., since the newly formed Coalition for the International Criminal Court (CICC), made up of about 2,500 civil society organisations, entrusted the WFM with managing its campaign secretariat. This led William Pace to play the dual role of campaign coordinator and WFM executive director, and during his travels from continent to continent to promote the campaign for the International Criminal Court (ICC), he spoke in both capacities. Even though this arrangement allowed the WFM to solve two problems, one political and the other financial, it probably concealed an aspect of the movement's political ideology that, explained below, really needs to be taken into account.

It solved a political problem because the campaign for the ICC, understood as an initiative that could be pursued with a view to the ultimate goal of world federation, was effectively able to become the WFM's main political initiative. Given the scale of the mobilisation of the organisations involved in the campaign, the questions of whether or not the WFM as such was actively supporting it, and in particular of whether the movement's American arm was directly involved in calling for the US government to ratify the treaty establishing the ICC (something it has yet to do), became questions of secondary importance.

It solved a financial problem in the sense that it provided the movement with funding. As shown by the financial statements submitted to the WFM Council, which included a consolidated balance sheet as well as separate balance ones for the CICC and WFM, the WFM received about 10 per cent of the CICC's revenue (almost exclusively government grants). Moreover, analysis of the public contributions by origin highlighted an interesting fact, worth bearing in mind for possible future political initiatives promoted independently by the WFM, namely that European Commission funding accounted for about 50 per cent of the public contributions, while 20 per cent came from contributions from European governments and foundations, while the remainder was made up of contributions from American foundations.<sup>11</sup> This means that around two-thirds of the funding

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<sup>11</sup> These percentages refer to total funding of approximately two million dollars received by the Coalition (cf., for example, WFM-IGP, *Financial Statements and supplementary information, as of and for the years ended December 31, 2017 and 2016 together with auditor's report*).

for the ICC campaign was European, since supporting this campaign was a priority for EU and European countries. It also means that similar support from the European side could, therefore, potentially be generated for other initiatives that fall within the priorities of Europe, the only continent in the world interested in supporting the strengthening of multilateral institutions.

Once the campaign for the ICC had substantially achieved its objectives,<sup>12</sup> the flow of revenue gradually decreased and, in parallel, the WFM's financial problems began. After William Pace resigned his position as executive director, the WFM had three executive directors in the space of a few years, and downsized its offices.

Finally, as mentioned earlier, there is also an ideological consideration that must be kept in mind if we want to open an in-depth debate on the future of world federalism and the WFM. Indeed, it is crucial to remark that the organisation has manifested, especially in the past, globalist positions that seem to indicate support for a global role for the United States rather than an autonomous and convinced stance in favour of institutional developments in the direction of a world federation.<sup>13</sup>

In any case, with the exception of the important initiative promoted by the association Democracy Without Borders, which seeks the estab-

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<sup>12</sup> The treaty establishing the International Criminal Court came into force on 1 July, 2002.

<sup>13</sup> In addition to what has already been observed regarding the campaign for the establishment of the ICC and its ratification by the US government, two other examples can be given. The first is a personal testimony that dates back to my approximately two-month stay in New York in 2009. While attending the WFM headquarters, I decided to research the use of special drawing rights (SDRs) as a world currency. When I showed the results of my research to a team of WFM employees, including the then WFM Deputy Executive Director, the latter exclaimed "there is no need for a world currency, we already have one: the US dollar!". The other example concerns (laudable) initiative in the field of global security supported by Australian federalist friends and other federalists spread across the American and European continents. The idea is to set up a "World Security Community of Democracies" which, in essence, takes up the idea put forward by Clarence Streit in the 1940s. The leadership of this coalition, it goes without saying, would fall to the United States.

Raising a problem, without suggesting how it might be overcome, leads nowhere. Therefore, two ideas are advanced here. The first could be to organise webinars on federalism, along the lines of the cadre schools that were organised in the past; these could be useful for world federalists, who tend to be unfamiliar with the federalist literature. The fact that, in the wake of the Covid pandemic, people are increasingly used to taking part in remote debates, suggests that this could be a good starting point. Another idea might be to bring together in Ventotene, for example every two years, during the traditional seminar, not so much the young people indicated by the WFM, but the leaders of the organisations that belong to the movement, some of whom are high-level and open to dialogue between federalist forces.

lishment of a World Parliamentary Assembly,<sup>14</sup> the WFM is still looking for a political action with global reach.<sup>15</sup>

*The Initiatives to Promote During the Transition to World Federation: a Proposal.*<sup>16</sup>

Although what is really needed is a whole debate on the initiatives that might be promoted in collaboration with the WFM, we can begin by formulating some initial reflections on the basis of what has been said thus far, after first adding some remarks to the brief considerations on the world order made earlier. In the opening section we merely listed some events and circumstances which show that the old global order has now entered an irreversible crisis, but made no mention of how to move on to a new one that is more stable than the current order, and also paves the way for a world federation. Above all, no reference was made to the political actor that might be able to assume responsibility for managing this phase. The view advanced here is that this actor can only be the EU.

China and Russia are two powers that, for the reasons set out at the start, are throwing the existing world order into question, and striving (even through military means in Russia's case) to be recognised by the global international community as interlocutors that cannot be ignored in the process of defining a new world order. Since they are both authoritarian countries, it is unrealistic to expect them to lead a world order that embraces, among others, the driving values of the previous world order. In the same way, but for different reasons, this role cannot fall to the USA, a declining power incapable of keeping order in the world, be it economic-financial (yesterday) or political-military (today). Furthermore, as already remarked, the USA's traditionally bipartisan Atlantic policy has become a bone of political contention within the United States, which makes it even more unrealistic to imagine that the country might champion, and assume responsibility for, a new world order. The USA's only recent initiative, which ac-

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<sup>14</sup> M. Brauer, A. Bummel, *A United Nations Parliamentary Assembly*, Democracy Without Borders, Berlin, 2020, [https://cdn.democracywithoutborders.org/files/DWB\\_UNPA\\_Policy\\_Review.pdf](https://cdn.democracywithoutborders.org/files/DWB_UNPA_Policy_Review.pdf).

<sup>15</sup> Indicative, in this regard, is the admission made by the President of the WFM in the final session of the event, held in Brussels on 8 December 2022, jointly promoted by the UEF and the WFM to mark the 75<sup>th</sup> anniversary of the Montreux Declaration: that the WFM is still looking for its political course.

<sup>16</sup> This section largely draws on what was said during the "UEF-WFM cooperation" session of event marking the 75<sup>th</sup> anniversary of the Montreux Declaration.

tually confirms its decline, is its League of Democracies proposal;<sup>17</sup> in fact, this seems to signal a withdrawal more than a readiness to proceed towards a world system designed to include the emerging powers.

The only player on the world stage with the capacity to change the current balance of power and take the initiative for creating a new world order is the EU, since it is ideally placed to leverage the change in interstate relations introduced at the end of the Second World War. As federalists are well aware, and as history teaches us, relations between states have traditionally always been shaped by policies designed either to help one or some of them achieve a position of hegemony, or to foster a situation of equilibrium and thus prevent the emergence of a hegemonic power. But at the end of the Second World War, a third possibility was forged. At the Bretton Woods Conference in 1944, it was decided, on an American initiative, to create multilateral institutions that would allow the traditional dichotomy between balance and hegemony to be overcome. The functioning of these institutions is not immune to the effects of changing relations between the main powers that belong to them; nevertheless, their creation, in itself, offered an alternative to the old model of interstate relations, and, as mentioned, the EU is the only player that, both by inclination and for its own good, is currently in a position to work to strengthen them.

However, to be a credible global player, the EU must not limit its foreign policy to trade policy and/or development aid, but must also directly shoulder its responsibilities in the military sector and equip itself with a foreign policy that, if necessary, involves the use of force. As Josep Borrell said in October 2019 during a hearing in the European Parliament, “the EU has to learn to use the language of power”.<sup>18</sup> As shown by the American “dual army” precedent,<sup>19</sup> this approach might initially be pursued through the creation of a European military force that could even be small, but has to be independent of the national

<sup>17</sup> For a critique of the league of democracies idea, cf.: C.A. Kupchan, *Minor League, Major Problems (The Case Against a League of Democracies)*, Foreign Affairs, November/December 2008, <https://www.foreignaffairs.com/world/minor-league-major-problems>.

<sup>18</sup> European Parliament, *Hearing with High Representative/Vice-President-designate Josep Borrell*, 7 October 2019, <https://www.europarl.europa.eu/news/en/press-room/20190926IPR62260/hearing-with-high-representative-vice-president-designate-josep-borrell>.

<sup>19</sup> V. Camporini, D. Moro, *Verso la “dual army” europea: la proposta SPD del 28° esercito*, Commento n. 201, Centro Studi sul Federalismo, November 2020, <https://www.csfederalismo.it/it/pubblicazioni/commenti/verso-la-dual-army-europea-la-proposta-spd-del-28-esercito>.

armed forces, which could supplement it as and when necessary. In recent years, many steps have been or are being taken in this direction, such as the decision to establish a Rapid Deployment Capacity, which is due to start exercises in 2023, becoming fully operational by 2025. And this, in turn, makes it possible to begin reflecting on the direction in which European influence might be exercised, bearing in mind that the EU is in favour of strengthening multilateral institutions and regional integrations.

The journey to world federation is longer than might initially have been envisaged; above all, it requires a realistic approach that, interestingly, can be traced back to the text of the resolution (calling for European commitment to regional federations, and particularly to an African regional federation) that the Federalist Autonomy group presented to the 1964 Congress of the supranational European Federalist Movement in Montreux.<sup>20</sup> As the unfolding of political (and military) discourse and events shows us on a daily basis, Africa is the continent of most interest not just to the EU, but also to the world's main powers (China, USA and Russia). The United States, for example, during its recent summit with African heads of government (13-15 December 2022) called for "greater (...) African representation in international institutions", which might be achieved by admitting the African Union (AU) to the G20 as a permanent member and giving African countries seats on the United Nations Security Council.<sup>21</sup>

The European Commissioner Paolo Gentiloni, speaking at the Med-Dialogues conference of 2-3 December 2022, organised by the Italian Ministry of Foreign Affairs, remarked that "relations with the countries of the Mediterranean and Africa represent the future for the EU, which is why we have to have a vision that not only addresses emergencies, for example the food and energy crises, but also sees the Union as a whole, not individual states, making strategic investments." Therefore if, as is held here, this statement is the expression of a concrete European interest in the African continent, the next question to ask is: what policies towards Africa can the EU promote?

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<sup>20</sup> The text submitted to the Congress position can be found in: *Le X Congrès du M.F.E – Résolution présentée par Autonomie fédéraliste*, Le Fédéraliste, 6 no. 1 (1964), p. 40, <https://www.thefederalist.eu/site/index.php/fr/les-problemes-de-l-action/1185-le-x-congres-du-mfe-i-documents>; also published in Italian in: M. Albertini, *Tutti gli scritti*, op. cit., Il Mulino, Bologna, pp. 595-597.

<sup>21</sup> The proposal was presented during the summit that the US organized with 49 African heads of government on 13-15 December 2022: <https://www.whitehouse.gov/briefing-room/statements-releases/2022/12/15/vision-statement-for-the-u-s-africa-partnership/>.

The countries of Africa have signed many treaties relating to economic and monetary unification of their continent, but these treaties, including the most recent one establishing the African Continental Free Trade Area (AfCFTA), have never been ratified by all the AU member states and therefore cannot come into force. Generally speaking, the countries that have not ratified them are ones involved in local or civil wars. What this means is that, as the EU's own experience confirms, security within African states and in relations between them is the crucial condition that will allow Africa to proceed gradually towards its own unification. From this perspective, the EU, most of whose civilian and military operations (almost always conducted under a UN mandate) concern the African continent, can play an essential and valuable role.

Although a recent SIPRI paper<sup>22</sup> remarks that these European initiatives have shown some weaknesses, the document fails to highlight their specifically political limits, namely, the fact that they are implemented as exceptional measures, in other words when problems have already erupted, rarely involve the AU as such or African regional organisations,<sup>23</sup> and, above all, are not linked to a political project that is shared with the AU and concerns Africa's economic future. It therefore needs to be established what long-term project can be linked to a joint security policy between the EU and the AU; to do this, the best indication can be drawn from the declaration made by the African finance ministers at the end of their meeting with the United Nations' Economic Commission for Africa on 1 October 2021 in Addis Abeba, whose text reads "African ministers also seized the opportunity to call for the establishment of a global price on carbon aligned to the Paris Agreement. African countries contribute the least to global emissions while also safeguarding some of the most important areas of biodiversity which are critical carbon sinks for all humanity. As such African countries should have the opportunity to leverage this critical role to raise financing to be invested in climate resilience and the green recovery to the benefit of their citizens."<sup>24</sup>

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<sup>22</sup> Stockholm International Peace Research Institute (SIPRI), *EU military training missions: a synthesis report*, Maggio 2022, in: <https://www.sipri.org/publications/2022/other-publications/eu-military-training-missions-synthesis-report>.

<sup>23</sup> A first step in this direction is the recent Council Decision (CFSP) 2022/2444 of 12 December 2022 on a European Union military partnership mission in Niger (EUMPM Niger), <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022D2444&from=IT>.

<sup>24</sup> Economic Commission for Africa, ECA, *African Ministers of Finance and IMF discuss changes needed to global financial architecture to support economic recovery on the continent*, <https://www.uneca.org/stories/eca%2C-african-ministers-of-finance-and->



Conceivably, therefore, sustainable development, to be pursued through a global carbon price, could be the point on which there might be a convergence of interests between the EU and the AU. It is certainly in the EU's interest to collaborate with the AU in order to diversify its energy supply away from fossil sources, and, above all, it needs to finance the investments in the renewable energy sector that will have to be made if it is to meet its 2050 target for becoming a carbon-free economy. The AU, for its part, is certainly interested in investing in the renewable energy sector because, as underlined by Brando Benifei, MEP, speaking at the conference “African European Youth Conference (AEYC) – Designing a youth inclusive future for Africans and Europeans”, held in Turin on 22-23 October 2022, Africa could become the first continent in the world to be able to pursue “its own development agenda without needing to transition from fossil energy sources”.<sup>25</sup> Thus, the EU and AU could, for example, agree to introduce a Euro-African Carbon Border Adjustment Mechanism as a step towards the introduction of a global carbon price. In this political-economic framework, a Euro-African agreement for a common security policy might also be reached.

In 2022, European and global federalists launched the first Euro-African initiatives on the issues of security and sustainable development. In particular, a couple of conferences involving the UEF and the WFM were held on the security of the African continent. The first, on 9 February, just ahead of the EU-AU summit in Brussels, was a webinar called “Towards a comprehensive strategy for Africa: some proposals”. Organised in collaboration with the UEF, the WFM, and the MFE's Turin-based *Ufficio del dibattito*, it had around 40 participants. The second event, already mentioned, was the AEYC. Promoted by the association Youth for Intra-Dialogue on Europe and Africa (Y-IDEA), and supported with working papers produced by the Centre for Studies on Federalism, it was backed, by among others, the European Parliament and the European Commission, and saw the participation of 250 young people in person and more than 50 remotely. Other initiatives with African youth groups have been promoted on the initiative of the Vice-President of the JEF, Juuso Järvinemi, while some young European federalists have created the association Y-IDEA, already mentioned.

imf-discuss-changes-needed-to-global-financial.

<sup>25</sup> Cf.: A. Majocchi, *Europa-Africa: una partnership per uno sviluppo sostenibile*, Policy paper CSF, n. 50, April 2022, [https://www.csfederalismo.it/images/policy\\_paper/CSF\\_PP50\\_Majocchi\\_EUROPA\\_E\\_AFRICA\\_Apr2022.pdf](https://www.csfederalismo.it/images/policy_paper/CSF_PP50_Majocchi_EUROPA_E_AFRICA_Apr2022.pdf).

These initiatives have made it possible to establish collaborative relationships with African interlocutors interested in working together to help their continent take steps towards the establishment of an African federation, both as a means of moving towards the objective of a world federation and also as the only way of allowing African citizens to speak with one voice in a profoundly changing world. It is also worth noting that this widespread interest suggests that the conditions exist for the UEF and the WFM to promote joint initiatives such as the establishment of a Euro-African Maritime Security Organisation,<sup>26</sup> or a Euro-African carbon border tax, and that they could perhaps benefit from the support of the European institutions in these endeavours just as the campaign for the ICC did.

*Domenico Moro*

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<sup>26</sup> C. Gritella, *EU-AU at Sea: Towards a Euro-African Maritime Security Organisation?*, Research paper, CSF, October 2021: [https://www.csfederalismo.it/images/2021/05/PDF/CSF-RP\\_EU-AU-Maritime-Security\\_C-Gritella\\_Oct2021.pdf](https://www.csfederalismo.it/images/2021/05/PDF/CSF-RP_EU-AU-Maritime-Security_C-Gritella_Oct2021.pdf).

# Documents

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*In memory of Karl Lamers, who died this year, The Federalist hereby republishes the document presented to the Bundestag on 1 September 1994 by W. Schäuble and K. Lamers on behalf of the CDU/CSU Group on the creation of a federal core within the European Union. The document remains a fundamental and essential contribution to the debate on differentiated integration and a two-speed Europe.*

## REFLECTIONS ON EUROPEAN POLITICS

### I. The Situation

The development of the process of European unification has entered a critical phase. Unless a solution can be found, within the next two-four years, to the causes of the current disturbing evolution, the Union, instead of moving towards the greater convergence envisaged by the Maastricht Treaty, risks turning inexorably into a weaker organisation, essentially limited to certain economic aspects and made up of various sub-groups. This kind of “improved” free trade area would not allow European society to overcome the existential problems and external challenges it faces.

The current critical phase has several main causes:

- the strain placed on institutions that were created for six states, but are expected to function with 12 and soon (presumably) 16 members;
- the growing divergence between interests based on different degrees of socio-economic development, capable of concealing the fundamental commonality of interests;
- the different perceptions within the European Union (stretching from the North Cape to Gibraltar) of the EU’s internal and above all external priorities (e.g., Maghreb, Eastern Europe);
- the profound economic-structural change, characterised by massive unemployment, impossible to overcome in the short term, that is

threatening already sorely tested social systems and the very stability of society. This crisis is just one aspect of the general crisis of Western civilisation;

- a strengthening of “regressive” nationalism in (almost) all the member states, due to internal problems linked to the development of modern societies and to external threats such as migration. Grave fears lead people to seek solutions, or refuge at least, in the nation-state and a return to nationalism;
- the excessive intervention, but evident weakness, of some governments and national parliaments in the face of the problems mentioned;
- the open question — open at least as regards the date and modalities — of the integration into the European Union of the states of Central (and Eastern) Europe, a challenge to the current member states that will clarify not only the contribution they wish to and can make, but also how they define themselves, morally and spiritually. The Union’s response will confirm or otherwise its ability and determination to become the backbone of the continental order, alongside a democratic Russia enjoying renewed stability while still maintaining its alliance with the United States.

## **II. Germany’s Interests**

Given Germany’s geographical position, size and history, it is very much in the country’s interests to ensure that Europe is not subjected to the effects of centrifugal forces that could see Germany once again caught in a difficult intermediate position.

This position between East and West has in the past prevented Germany from giving its internal order an unequivocal orientation and from finding a stable and lasting balance in its relations with the outside world. Germany’s attempts to overcome, through hegemonic conquest, this situation, which placed it at the centre of all European conflicts, ended in failure. The military, political and moral catastrophe of 1945, which followed the last of these hegemonic attempts, not only forced Germany realise the insufficiency of its forces, but also gave rise to the conviction that security can be achieved only through a profound modification of the state system in Europe, one that makes hegemonic aspirations inconceivable, stripping them entirely of their power of attraction. This conviction has now become the guiding maxim of German politics, and allowed the “security against Germany” issue to be resolved through a system of “se-

curity with Germany". This new system, capable of combining control of Germany by its interlocutors with control of the latter by Germany, was possible only because the western part of the country had become indispensable in safeguarding the security of the West against the Soviet Union, and also because, in the military field, NATO, under the leadership of the United States, declared itself willing to control this two-way integration of Germany. On the economic and, increasingly, political level, the solution reached consisted of Germany's integration into the European Community/Union. Hence the need to create common institutions for the management of ever more complex (Western) European relations. Within this system, Germany's relative economic superiority, rather than translating into German dominance, proved beneficial to all. Thus, for the first time in its history, Germany — or a large part of it at least — became an integral part of the West, in terms of both its internal order and its external attitude. This post-war system, which has proven to work and to be extraordinarily stable, was actually Germany's only option, given that, in view of the East-West conflict and Germany's total defeat in 1945, there could be no talk of an autonomous German policy towards the East, or of an eastward orientation on Germany's part.

Now that the East-West conflict is over, a stable order must also be found for the eastern part of the continent, a quest that is particularly important for Germany: after all, given its situation, Germany would be the first to suffer the direct effects of any instability in the countries of Eastern Europe. The only way to prevent a return to the unstable pre-war system that saw Germany relegated to its old awkward position between East and West is to integrate the neighbouring Central and Eastern European countries into the post-war (Western) European system, while at the same time maintaining a broad understanding with Russia. It is absolutely essential to prevent a vacuum, capable of undermining the continent's stability, from forming once again at the heart of Europe. Should (Western) European integration fail to evolve in this direction, Germany might, as a result of the need for security, be induced or forced to define stability in Eastern Europe on its own terms, and through recourse to traditional means. Such an undertaking would far exceed Germany's strength and would lead to a crumbling of cohesion within the European Union, not least as an effect of the ubiquitous memories of when German policy towards the East essentially amounted to cooperation with Russia, to the detriment of the states located between these two countries. Consequently, enlargement of the Union to the East is fundamentally in Germany's interests, as indeed is a deep-

ening of integration, since this is the very prerequisite for enlargement. Without internal consolidation, the Union would be unable to cope with the immense tasks stemming from its eastwards expansion and run the risk of collapsing and regressing to the status of a weak group of states, unable to meet Germany's need for stability. In essence, this German interest in stabilisation coincides with that of Europe as a whole.

Due to its position, size and close relations with France, Germany bears particular responsibility for ensuring the integration of Eastern Europe and also has the opportunity to play a decisive role in promoting a development that will benefit both Germany and Europe.

Germany's accession to the presidency of the Union on 1 July 1994 marks the start of the immense long-term efforts necessary for this country to achieve this objective.

### **III. What to Do? Proposals**

The above objective can only be achieved through a combination of different measures, both in the institutional sphere and in different political fields. Five interdependent measures are proposed below, which together form a unitary whole:

- institutional development of the Union and implementation of the principle of subsidiarity, which also includes a new transfer of competences to lower levels;
- strengthening of the EU's hard core;
- qualitative improvement of Franco-German relations;
- strengthening of the Union's capacity for action in the field of foreign and security policy;
- enlargement of the EU to the East.

Obviously, the fight against organised crime, the creation of a common migration policy, the fight against unemployment, a common social policy, Europe's competitiveness and environmental protection are all crucially important issues, especially from the perspective of European citizens' perception of the Union.

#### *1. Institutional Development.*

The institutional development of the EU that will emerge from the 1996 Intergovernmental Conference must be based on the principles below:

- the aim must be to strengthen the EU's capacity for action and its democratic and federal basis;

- to this end, an answer must be found to the constitutional question of who should do what. This answer must be the subject of a quasi-constitutional document which clearly establishes the competences of the European Union, and of its member states and regions, defining the fundamental ideas on which the Union is based;
- this document must be inspired by the model of the federal state and the principle of subsidiarity, as regards not only the delimitation of competences, but also the problem of knowing whether certain tasks should be undertaken by the public authorities, including the Union, or whether, on the other hand, they should fall to associations. Germany, which requested that the principle of subsidiarity be introduced into the Maastricht Treaty and has some experience in this regard, is called upon to make concrete proposals regarding not only the application of the principle of subsidiarity to future EU measures, but also the adaptation of current regulations to this principle;
- all the current institutions, the Council, Commission, presidency and European Parliament, need to be reformed. Numerous proposals have already been advanced in this regard, including that of the CDU/CSU parliamentary group. The reforms must be geared towards a new concept of institutional balance, which progressively gives the Parliament the status of a legislative body, with rights on a par with the Council. The latter is called upon to assume, in addition to other tasks of an essentially intergovernmental nature, the role of second chamber, i.e., Chamber of the States, while the Commission will act as the European government.

Democratisation of the EU, in addition to making the Union more effective, must constitute its central principle, applicable also and above all to the European Parliament, which, moreover, should be urged as from now to work closely and with full confidence on the preparation of the 1996 Intergovernmental Conference. At the same time, yet without this becoming a priority, importance should be attached to the role of the national parliaments in the formation of political will in Europe. In the case of the Council, the term democratisation should be taken to mean pursuit of a better balance between, on the one hand, the principle of equality of all member states, and, on the other, the distribution of votes in relation to each state's number of inhabitants.

The future development of the EU institutions must combine coherence and consistency, elasticity and flexibility.

The Union's institutions must be developed in such a way that they

have the elasticity necessary to compensate for the tensions that are inevitable in a Community extending from the North Cape to Gibraltar, and can achieve a degree of differentiation that adequately caters for differences in the states' ability (and desire) to integrate. On the other hand, they must be stable enough to allow a strengthening of the Union's capacity for action in the face of particularly important challenges.

Despite the considerable legal and practical difficulties, the "variable geometry" or "multi-speed" Europe idea should be taken up and, as far as possible, institutionalised in the Treaty on European Union or in the aforementioned quasi-constitutional document. Otherwise, the Union will confine itself to mere intergovernmental cooperation favouring a "Europe à la carte". In this context there also arises the need to know whether, in the event of an amendment of the Maastricht Treaty, the principle of unanimity referred to in article N should be replaced by a quorum to be specified. It is crucial that no country be able to oppose its veto, thereby blocking the efforts of other countries that are more equipped and more determined to increase their cooperation and integration.

The development of a flexible approach to integration, envisaged by the Maastricht Treaty for monetary union and already implemented outside the Treaty in the context of the Schengen Agreement, appears all the more necessary in view of the fact that the aforementioned institutional development difficulties, already immense in the current situation, are not destined to decrease in the future, as the negotiations on enlargement of the Union to the EFTA states have indicated. Avoiding stagnation and therefore regression of the integration process would already be an excellent result.

## *2. Strengthening the EU's Hard Core.*

In addition to the need to improve the effectiveness of decision making within the European Union and democratise the formation of political will, there is also a need to further strengthen the EU's existing hard core, made up of countries committed to integration and ready to cooperate. At present, this hard core comprises five or six countries, but it must not be closed; on the contrary, it must be open to member countries willing and able to meet its requirements.

The task of the hard core is to oppose, through an established centre, the centrifugal forces generated by constant enlargement, in order to prevent divergent development between a South-West group, more prone to protectionism and led in a sense by France, and a North-East group that supports global free trade and is directed in a sense by Germany.



To this end, the countries of the hard core must not only participate in all areas of politics, but must also jointly and more resolutely orient their action in a community direction and launch more common initiatives aimed at promoting the development of the Union. As a result, Belgium, Luxembourg and the Netherlands need to consolidate their association with Franco-German cooperation, especially as the Netherlands has now grown less sceptical of these two countries' role as a driving force of European integration. Cooperation between hard-core countries must focus in particular on the areas added to the Treaties of Rome by the Maastricht Treaty.

In the monetary sphere, too, it is possible to observe the emergence of a hard core, made up of these five countries, which, together with Denmark and Ireland, are the ones closest to meeting the convergence criteria established by the Maastricht Treaty. This is a particularly important aspect as monetary union constitutes the hard core of political union (and is not merely an extra element of integration, as it is widely believed to be in Germany). If monetary union is to be implemented as scheduled, it will initially apply only to a small group of countries – in accordance with the alternative envisaged by the Maastricht Treaty. Therefore, in this case, too, it will only be realised if the five-member hard core devotes itself systematically and with determination to this objective. To this end, they should establish greater coordination in the fields of:

- monetary policy,
- fiscal and budgetary policy, and
- economic and social policy,

with the aim of creating a common policy and consequently — independently of the formal decisions of 1997 and 1999 — laying the foundations, in this time frame, of a monetary union within the group.

The hard-core group in Europe must convince all EU members — particularly Italy, a founding member, as well as Spain and the UK of course — of its willingness to integrate them as soon as they have solved some of their current problems, and to the extent that they themselves intend to meet the aforementioned requirements. The formation of a hard core is not a goal in itself, but rather a means of reconciling contradictory objectives: deepening and enlargement of the European Union.

### *3. A New Quality Phase in Franco-German Relations.*

If the historic process of European unification is to achieve its political objective and not settle for marking time, Franco-German relations need to enter a new quality phase. For this reason, no significant action

should be taken in the fields of foreign and European policy without prior Franco-German consultation. With the East-West conflict now behind us, the importance of Franco-German cooperation, far from diminishing, is now even greater than in the past.

France and Germany form the centre of the hard core. From the very outset, these two countries have been the engine of the European unification process. However, their special relationship is now being put to the test: in fact, it is even showing signs of the aforementioned divergence of interests and perceptions and, therefore, of the risk of divergent development. In France it is feared that the process of enlargement to the North, especially the accession of Austria, and, subsequently, that of enlargement to the East could result in a weak group of states in which Germany would see its power considerably strengthened, and therefore come to assume a central position. For France, therefore, it is vitally important to deepen the Union, even before enlarging it. Now, faced with a unified Germany and — even more important in this context — a Germany that is once again in a position to pursue an active policy in the East and enjoy the same freedom of action as its Western interlocutors, the old question posed at the start of the process of European unification (initially confined to Western Europe), namely how to integrate a strong Germany into the European structures, returns under a new guise that actually shows its real significance.

Especially with regard to Franco-German relations, it is important that this question be posed clearly, in order to avoid misunderstandings and mistrust.

In addition, an equally important consideration from Germany's perspective is the fact that the willingness of its neighbours to the East (as well as that of the EFTA states) to join the EU is driven, in no small measure, by their desire to free themselves from excessive dependence on Germany, a desire which can only be realised in the framework of a Community that is more than just a free trade area.

Crucially, of course, Germany must demonstrate through its political action that it adheres strenuously to the objective of a strong, integrated Europe, capable of acting. (Germany believes that it has long since demonstrated this, but, as shown by the criticisms of its behaviour at the time of the accession of the Scandinavian countries and Austria, not everyone shares this belief.) Germany must provide proof, through proposals to develop the Union institutionally and politically, before enlargement but also with a view to it.

If Germany must present its position clearly and unequivocally, then

so, too, must France. France must correct the impression it has thus far given. Indeed, while its basic desire to pursue European integration is not in doubt, it is often indecisive when it comes to taking concrete measures to that end, due to persistence of the belief that the sovereignty of the nation-state, which has long been no more than an empty shell, simply cannot be renounced.

Given the importance of monetary union, especially for Franco-German relations, it is necessary — alongside the preparatory work for the hard core — to overcome the differences of opinion between France and Germany on essential economic and political issues, such as those relating to “industrial policy” and competition law. In this context, it would be highly desirable to reach an agreement on the creation of a Union cartel office. Furthermore, clarification of the long-term objectives of the CAP and of the key features of the future financial organisation of the Union is also required.

Similarly, it is necessary to overcome the differences that frequently arise between France and Germany on the central problem of European defence and its relationship with NATO (as we are seeing in the context of the discussion on how to implement the decision on Combined Joint Task Forces, taken at the NATO summit in January 1994).

Since these are two crucial problems, the corresponding Franco-German councils (Economic and Social Council and Defence Council) should seek to be a forum, objective and free from any defined doctrine, for the discussion of principles.

More than ever, Germany's relationship with France constitutes an indicator of the depth of its belonging to the political culture of the West, a reality that contrasts with the trend (now regaining ground above all in intellectual circles) that promotes a *Sonderweg*, or specific German path. This is all the truer now that the USA, with the East-West conflict a thing of the past, can no longer play its traditional role. A serious and open dialogue on the concepts that favour these different tendencies, and on mutual feelings and resentments in Franco-German relations, is just as necessary as a strengthening of political cooperation between the two countries.

#### *4. Making the Union Capable of Acting in the Field of Foreign and Security Policy.*

It is crucially important, for the future, to considerably increase the Union's capacity for action in the field of foreign and security policy.

Europe's nation-states are no longer able to guarantee their own se-

curity by themselves, and this is especially true following the resurgence in Europe of security problems we had considered long resolved, a situation linked to the fact that the United States, with the East-West confrontation now over, is not willing to guarantee assistance with all types of conflicts. The ability to guarantee one's own security, to defend oneself, constitutes the condition and very essence of the sovereignty of states.

This applies equally to the European Union as a community of states, given that these can guarantee their sovereignty only within the community. Since awareness of their own sovereignty is the determining factor in the relationships that peoples establish internally and with each other, the common defence capacity of this European community of states constitutes an inalienable factor in the stabilisation of a proper EU identity, one that nevertheless leaves each member state room to safeguard its identity.

In the few years that have passed since the end of the East-West conflict, the definition of a common foreign and security policy for the Union has proved to be much more important and urgent than was envisaged by the Maastricht Treaty. Even the largest member countries are unable to meet external challenges. All polls show that the vast majority of citizens want a common foreign and security policy. However, their support for the European integration process has sharply weakened due to the Union's insufficient reaction to the dramatic developments in the eastern part of the continent. The question of the status of future members in matters of security policy is decisive for Europe's political character and general political organisation.

The action of the European Union in the field of foreign and security policy must be based on a strategic principle which defines the common interests and objectives with the utmost clarity, setting out the conditions and procedures, in addition to the political, economic and financial instruments. The priority fields of the common foreign and security policy are the following:

- common policy aimed at stabilising Central and Eastern Europe;
- development of relations with Russia aimed at establishing a broad understanding;
- common policy in the Mediterranean area, whose stability is of fundamental interest not only to the countries bordering the Mediterranean, but also to Germany;
- development of a strategic understanding with Turkey;
- a new approach in transatlantic relations.

The transatlantic relationship is of particular importance, given that

it covers all the issues related to the common foreign and security policy and therefore requires a common policy shared by the European Union and the United States. There is also a need for concerted transatlantic action in the face of future global challenges.

The development of a common European defence is clearly more urgent than was envisaged by the Maastricht Treaty, which postponed it to some indefinite time; the fact is, now is the right time. The internal difficulties between European countries, in addition to the difficulties that emerged between Europe and the United States during the war in the former Yugoslavia, highlight all the urgency of this claim. Efforts to achieve the common European defence must be doubled, given that the Europeans are called upon to shoulder much greater responsibility for their own security, both as regards measures to maintain or establish peace and, even more, as regards the status of future members of the Union in matters of security. In a community of states conceived as a union, all members must enjoy the same external security status. This is a prerequisite for membership. If the United States is expected not only to continue to honour its obligations on the current terrain of the Alliance, but also to extend them (at least) to the countries joining the Union, then it follows that Europe should make the greater contribution in the non-nuclear field.

From a longer-term perspective, NATO must therefore be transformed into an alliance in which the United States and Canada, on the one hand, and a Europe capable of action, on the other, have equal weight. It is in this sense that the 1996 review conference must re-examine the WEU-EU relations, in accordance with Article J.4, paragraph 6.

With regard to the current problem of restructuring relations between the WEU and NATO with regard to tasks not included in Article 5 of the Washington Treaty (Combined Joint Task Force), a solution must be found which authorises the Europeans, on the basis of an *ad hoc* decision of the NATO Council (taken therefore with the participation of the USA), to undertake independent actions, while nevertheless benefiting from NATO means and members of its military staffs. As President Clinton's recent speech in Paris showed once again, the US is in favour of, and indeed demands, a European identity in defence matters.

To be active and fruitful, the common foreign and security policy needs to be supported by a more agile and effective institutional body and by coordination. To this end, it will be necessary, above all, to set up a highly qualified CFSP planning unit entrusted exclusively with prospective action, which can enter into direct contact with the national decision-making bodies.

*NOTE — The proposals aimed at creating a European core and at further intensifying Franco-German cooperation do not amount to abandoning the hope of seeing Great Britain assume its role “at the heart of Europe”, complementing this core. On the contrary, they are based on the certainty that resolute development of Europe is the best means of favourably influencing the clarification of Great Britain’s position vis-à-vis Europe and its willingness to participate in further progress on the road to integration.*

### *5. Enlargement to the East.*

The accession of Poland, the Czech and Slovak Republics, Hungary (and Slovenia) to the EU is expected to take place in around 2000 and it is linked to the four measures previously proposed: it depends on the implementation of these, and is also their ultimate goal.

Due to their very nature, both the mere certainty of being accepted as an EU member state, and, even more so, the accession itself, are able to promote the political and economic development of these countries better than external aid can. Aside from this obvious political-psychological advantage, the economic commitments (both for new and old members) entailed in meeting this deadline are such that the objective can be achieved only by combining various measures. It is a question not just of bringing the legislation of the acceding states closer together, as already envisaged by the European Treaties, but also of carrying out reforms in various political areas of the Union, especially agriculture. It will also be necessary to provide for very long transition periods for economic adjustment, probably different from country to country and based on the concept of “variable geometry”. Ultimately, neither side must incur costs higher than those that would result from a later accession, especially as, in general, the later the accession, the higher the overall costs.

The admission of these countries should take place in stages and through closer cooperation. Here are the suggestions in this regard:

- systematic implementation of the opening of the market established by the European Treaties,
- harmonisation of trade policies,
- promotion of free trade and cooperation between reforming countries,
- broader participation of the Central and Eastern European states in some aspects of the CFSP, for example, more multilateral cooperation,

- transposition of cooperation in the field of security policy, as agreed in the Kirchberg Declaration on the “associated partnership” with the WEU,
- participation in cooperation on domestic policy and legal provisions relating to foreign nationals policy, migration, asylum law, visas and EUROPOL.

The Central and Eastern European states’ participation in the European Union must be accompanied by a policy of comprehensive partnership between the Union and Russia. Russia must acquire the certainty — to the extent that this is possible from the outside — that it constitutes the second political pillar of the continent, alongside the European Union. The partnership agreement and cooperation with Russia are an important first step in this direction, and must be followed by other agreements in the field of security policy, in relation to the accession of the countries of Central and Eastern Europe to the EU / WEU and NATO.

Implementation of the programme proposed in the previous pages is the best way to overcome the citizens’ uncertainties about the unification process. Contrary to the unrealistic and dangerous declarations, both on the level of legal theory and on the political level, indulged in by certain intellectuals, and sometimes even by certain glib and ill-informed politicians, the great majority of citizens are perfectly aware of the need for a United Europe. However, the citizens rightly demand more democracy, greater publicity and transparency, and above all they want Europe to be successful in the fields mentioned above. After all, the citizens know very well that the interests of Germany can only be realised within Europe’s framework and space, and through Europe. In this way, the nation not only avoids exposing itself to damage, it also guarantees its own foundations, at the very moment in which it guarantees its future.

*Wolfgang Schäuble and Karl Lamers*

## Thirty Years Ago

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### EUROPE AFTER GORBACHEV'S DOWNFALL\*

The failed coup in the Soviet Union on 19<sup>th</sup> August 1991, followed by Gorbachev's fall from power and the rejection of his Union treaty, have made the prospects for a new world order more uncertain. The plan to build a grand progressive alliance, which seemed to be taking shape among the Northern industrialised countries of the world, and which would have done a considerable amount to push forward the unification of the planet, has lost a good deal of its credibility and its capacity to arouse and keep alive the hopes of men and women. This does not mean that we have returned to the situation that existed prior to Gorbachev's rise to power. The achievement of this historic man represents a decisive and irreversible step in the process of detente, regardless of the fact that he was unable to carry out a considerable amount of his grand design. The ex-Soviet Union is no longer a military danger, and as a result military spending in nearly all industrialised countries is being sharply reduced. Nevertheless the break-up of the USSR has opened up a hotbed of crisis, and has deprived the rest of the world of a reliable partner to deal with both in political and economic matters.

This new situation cannot fail to have repercussions on the *status quo* in Europe. The CSCE (Conference on Security and Co-operation in Europe) was able to guarantee stable political relationships in the vast area that stretches from the Atlantic to Vladivostok, since this was in reality based on a division of responsibility between two grand poles, the European Community (backed by the guarantee of the US) and the Soviet Union. The disappearance of one of these has thus weakened it. The forces of disintegration which are at work in Eastern Europe, and

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\* This editorial was published in *The Federalist*, 34 n. 1 (1992), p. 3.



lie in ambush even inside the Community, have been greatly strengthened. They have devastated Yugoslavia and threaten Czechoslovakia. Nationalism, separatism and intolerance are everywhere on the increase, and are endangering the very basis of civil cohabitation.

The European Community remains the only political entity which, in the current situation, has the potential to reverse this trend, by opting for unity rather than disintegration. Hence the Community should be compelled by the novel and dramatic situation that has unfolded, to rethink radically its historical role and responsibilities.

Europe, and above all the Federalists, should take a stand on three issues in the current situation. They are: the length of time to be allotted to the federal unification of Europe; the borders of the future European federation; and the conditions for admitting new states.

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*Time limits.* The principle limitation of the agreements at Maastricht was the scarce appreciation of the fact that progress towards a real federal union in Europe has become *a race against time*. If the Community is capable of quickly transforming itself into a real federation, and enlarging immediately afterwards to include the countries of Central Europe and EFTA, it will ensure that movements in favour of integration prevail, both in these countries and in the Soviet Union itself. If, instead, the Community remains oblivious to the urgency of this task, the situation will be reversed, and divisions in the eastern part of the continent will feed divisions within the Community itself. Events in Yugoslavia have already demonstrated this, with European Community governments being divided between those which supported Serbs, Croats or Slovenians, rather than coming together to work for the unity of the Yugoslavian state and to accelerate the democratisation of its institutions.

As long as division remains, it is inevitable that Germany's economic power will continue to emerge (with political power following in its wake). This will not happen as a result of conscious hegemonic aims on the part of the political class in the unified Germany. On the contrary, a sizeable proportion of German politicians, with Chancellor Kohl at their head, are aware of the risks to which Germany is exposed because of its very strength, and is hence playing the European card with greater determination and courage than politicians in any other Community country. Rather, Germany's power will grow because in the current situation, she is already forced to substitute herself (willingly or not) for a

Europe which does not yet exist. This leads Germany to take on responsibilities that other member states, alone, are incapable of undertaking, so that she will become, as time progresses, the privileged partner of most Eastern countries. In place of a grand European 'Marshall Plan', which could reverse the tendency towards disintegration, there is the possibility that in the not-too-distant future a regional economic hegemony will be created (to be followed by political hegemony), whose logic, as for all hegemonies, will be division rather than unity. Yet it should be made clear that the responsibility for such a development will not rest with Germany, but with its partners within the Community. The blame will not lie with the government that, facing the danger of anarchy, undertook the serious task of guaranteeing some form of order, albeit imperfect, in the region, while simultaneously declaring its willingness to surrender its sovereignty within a federal European framework. Fault will be found instead with the governments that did not want to abandon *their* sovereignty (although such sovereignty is by now merely illusory) and chose to block, or at least slow down, the process of European federal unification.

It would nevertheless be irresponsible to hide the fact that, if this scenario comes to pass, democracy itself will be under threat in Western European countries. The only force which prevents the expansion of the extreme right in these states is the hope for a European political union and for a new era of international co-operation which this would make possible (the extreme right can adapt to the circumstances which prevail, playing the cards of nationalism or regional separatism, without changing in the slightest its basic character). If such hopes are left unfulfilled, it is not possible to imagine who will be able to prevent the rise (already a matter of concern today) of figures like Le Pen and Bossi, or those who will take their place in the future.

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*Borders of the European Federation.* If the Community is to turn itself into a real federal union, it needs to face up to the issue of its eastern border, which the collapse of the Soviet Union has brought into question. The western Republics of the so-called CIS (Commonwealth of Independent States) look to the Community, and hope to apply for membership in the future. In a similar vein, there are those within the Community who entertain the idea of enlarging the Community to increasingly distant borders, even to the extent of admitting the Russian Federative Republic itself as a member state.

These dreams are as unrealistic as they are dangerous. In reality the process of federal unification has insurmountable geographical limitations. The Community represents the most advanced regional expression of a larger integration process that is currently taking place on a global scale. The political conclusion of this world-wide process, which will be realised after an unpredictable length of time, can only be the unification of the entire planet. Nevertheless, it is clear that this will not be the result of extending a single federal core to the around 180 currently existing states, but of a pact between great continental federations. Without such intermediate structures, that guarantee of cohesion and element of responsibility, without which a stable and governable world federation cannot be reasonably imagined, will be lacking.

The geographical area of the ex-Soviet Union contains the necessary ingredients for creating one of these great continental poles. It would also possess a strong degree of economic unity and a particular identity, on account of its Euro-Asiatic position, hence enabling it to exercise a stabilising role in a part of the world that will be considerably removed from the influence of the European Union. As an alternative scenario, if a regional federal structure is not constructed, nationalism will remain the sole doctrine for legitimising power, hence provoking permanent tension between the Republics of the CIS, as indeed is already the case. The process which is presently underway throughout the region, in which the framework of the state is increasingly fragmenting, and civil society is disintegrating, will be accelerated. The integrity of the present Republics themselves will be endangered, beginning with the largest (the Russian Federation), in which Russian nationalism will conflict with nationalist sentiment in Tartarstan, Chechena-Ingushetia, Yakutia, and so on, and will encourage separatism among the sizeable Russian minorities which currently exist in other Republics, from the Baltic to Central Asia.

Furthermore, the Republics of Central Asia would be pushed into the orbit of countries like Turkey, Iran, and Pakistan, which would clearly not assist the creation of an unlikely Central Asian Community, but would rather serve to destabilise the situation further, as these three regional powers compete for the acquisition of hegemony in the region.

If Europe can federate itself, it will need to undertake vigorously the role that the present Community has shown itself to be incapable of fulfilling up to now — that of encouraging all favourable forces to develop Gorbachev's ideals and plans, and to draw the institutional implications therefrom, hence reviving the unity of the ex-Soviet Union

on a genuinely federal basis. These forces are silent at present, but they do exist, and their claims are fully justified by the profound economic and social interdependence that still exists (and which will continue to do so for a long time to come) between the Republics of the so-called Commonwealth of Independent States. But in order to achieve this, the European Community must make it immediately clear that its frontier will never extend beyond the western border of the ex-Soviet Union; and thereby stop encouraging (with promises which it will in any case not be able to fulfil) the fatal illusion which some of the new republics suffer from, namely that in the future they will be able, after a period of association, to become full members of the Community. In the same way the Community ought from now on to distribute aid on the basis of a single plan, organised in common with all the states in the region. Only in this way will it be possible for the Community not to give succour to the nationalism of the minor Republics (as it was guilty of doing with regard to Croatian and Slovenian nationalism), and to avoid facing up to Russia like an antagonist which aims to dismantle its power, rather than as a partner which wants to offer real co-operation for the construction together of a new, peaceful, and progressive European and world order, within the framework of a strengthened CSCE.

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*Conditions for admitting new states.* The enlargement of the Community to include the countries of Eastern Europe (as well as EFTA ones) is now both necessary and of immediate concern, if the aim is to give the peoples of that area a solid vision of future prosperity within the framework of unity, and not a prospect of disorder and ruin in disunity. Moreover, it is absolutely clear that the present decision-making structure, whose main characteristics are the requirement of unanimous decisions and the absence of real democratic government, would make a Community of twenty, or twenty-five, completely ungovernable. From this straightforward observation, two opposing conclusions are usually drawn. The first, put forward by the British government, insists on the priority of enlarging the Community, maintaining that this should precede institutional reform. The aim here is to dilute the Community into a vast free trade area, and hence dissolve it. The opposing point of view makes the reinforcement of the Community's institutions the main priority and would put off the issue of its enlargement until some future, unspecified, date. In reality, though, these two objectives are inseparable: enlargement is not a purely idealistic option, which can be

postponed at will, but an immediate and rational necessity. Yet enlarging the Community without radical reform of its institutions would lead to its destruction. From all this there is only one possible conclusion: the urgent need, as has been previously highlighted, to transform the Community into a federal Union.

The prospect of enlarging the Community requires, in any event, a rethink of the very structure of a European federation including up to twenty-five currently extant states, and stretching as far as the western borders of the ex-Soviet Union. There are in fact strong reasons to fear that without bold institutional innovations, a Europe of twenty or twenty-five will be difficult to govern even after the achievement of federal unity. It is of course possible to affirm that the United States is a federation made up of fifty states. But it needs to be remembered also that the United States, since it lacks intermediate institutions capable of effectively counterbalancing the power which is exercised at the federal level, has for a long time now taken on the appearance of a centralised state.

The important point, however, is that Europe will in any event be a different type of federation from the United States. It will unite peoples with greatly differing languages, customs and histories, each of which is firmly established within its own territory. The Community's expansion to include Central and Eastern Europe will bring in countries with economic problems and productive infrastructures that are destined to remain incompatible with the twelve's for a long time to come. As a result, the Community should be governed with procedures that are totally different, both from the current antidemocratic and ineffectual ones of the Community, and from those with which the United States is presently governed. In particular, its decision-making structures will have to be more decentralised and more consensual. These two requirements seem irreconcilable with a constitutional organisation based on a large number of territorially small, or very small, member states.

For decentralisation to work effectively, the size of the regional government levels needs to reflect the scale of the issues to be dealt with. If the levels are too small, all decisions relating to problems that concern issues on a wider scale will fall within the competence of federal bodies, which will tend as a result to centralise functions, and hence power. But centralisation (which in any event is the negation of federalism) would be substantially incompatible with a greatly fragmented economic and social landscape such as exists in Europe, and would thereby encourage tension and trends towards disintegration, even so as to endanger the continuity of the Union. In reality the independence of small countries

within a large federal unit can only be guaranteed by their grouping together in intermediate-sized units which are strong enough to balance the power of the highest level effectively. On the other hand, for effective decision-making based on consensus, a limited number of agents is necessary. A myriad of quarrelsome localities, incapable of seeing the general interest, is not compatible with such procedures.

On the basis of these considerations, it is not possible today to propose precise institutional solutions. But it is reasonable to emphasise the need for the Community (when reflecting on its institutional make-up in view of its enlargement to include the countries of EFTA and Eastern Europe) to pay close attention to the crucial requirement of making the formation of regional sub-federations a pre-condition for each new admission. Such regional sub-federations will become, in effect, member states of the Union, allowing its extension without prejudicing decentralisation and the capacity to take decisions. Having this requirement in view will quash any temptation to dangle the possibility of direct membership in front of the separatist Yugoslavian Republics.

It remains true that the present Community includes some small countries (Luxemburg, Ireland, Denmark) as member States, and since the current situation is now firmly established it does not seem realistic to ask these countries to enter into intermediate federal groupings (although a federal group made up of the Benelux countries, or Denmark, Sweden, Norway, and Finland would not be unthinkable, given the special ties that already exist between these groups of countries). But it is a different matter for the states which are aspiring to Community membership. Their admission will, in any event, have to be subjected to certain conditions. The creation of regional groupings should be one of these, and would seem all the more reasonable in as much as it would also serve the interests of candidate countries, by giving them contractual and decision-making power, rather than condemning them to a peripheral minority role, which would leave them the sole option of obstructing federal institutions in a bid to increase their political leverage. Moreover, Hungary, Poland and Czechoslovakia already realise this, and have begun to co-operate on a regional scale. In response to a specific request from the Community, this trend could evolve in the direction of a real federal agreement.

It is true that such a request may seem unlikely to gain acceptance in light of the complexity of the ethnic situation and the resulting delicacy of relations between the states of Central and Eastern Europe. But it is necessary to take into account that the enlargement of the Community

will not be achieved by a straightforward and painless process. On the contrary, this is an issue which sets the Community a dramatically urgent and traumatic challenge which, if it is to be met, will require both strong political will and a considerable capacity for planning ahead. In light of this, Community institutions (with the Parliament in the vanguard) and the governments of the member states, should take steps to prepare quickly and with determination, without allowing themselves the delusion that only the passage of time can resolve problems that, on the contrary, will only become more serious as the situation develops.

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In conclusion, it is worth pointing out that there has been no attempt in this editorial to predict the future, but only to point out the existence of problems and to set out general guidelines. Federalists are not observers, but active participants in the process. Their task is therefore not to try and work out which forces will gain the upper hand in the tumultuous events in Europe and the world in the final decade of the 20<sup>th</sup> century, in an effort to jump on the bandwagon. Rather it is to single out the great choices which history is currently placing before mankind, and Europeans in particular, and to *commit themselves to positions*, in an effort to make the arguments for unity win through over those for division, fully aware that the outcome of the conflict is by no means certain.

*The Federalist*

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