

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.

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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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Building a True European Defence Requires a Thorough Reform of the Treaties*

The Russian invasion of Ukraine has swept away the illusion nurtured for over thirty years by European governments and national public opinions that war for the old continent was just a sad memory of the past or a problem that concerned other parts of the world. Today, Europe's security is instead seriously endangered.

Two years after the Russian invasion of Ukraine, the balance of the conflict is unfortunately very uncertain. Despite great efforts, Ukrainian resistance appears to be faltering, while Russia, bolstered by military supplies and assistance from allied autocracies, particularly Iran and China, could succeed in turning the tide of the war in its favor. The prospect of defeat calls into question Western democracies that have supported Kiev so far, and in particular the European Union, whose stability and security directly depend on the outcomes of the Russo-Ukrainian conflict.

Putin's project for the restoration of the Russian empire does not only involve the destabilization of Ukraine and the annexation of much of its territory. Other regions where significant Russian-speaking minorities reside are already in the Kremlin's crosshairs, particularly the Moldovan province of Transnistria, and above all, Estonia, a NATO and EU member state. It is now clear that a policy of appeasement would lead Russia to claim even more territory, resulting in the total destabilization of Europe and its common institutions. The opportune moment that the Kremlin awaits to provoke an escalation in this direction could come as early as in a few months with the potential return to the White House of Donald Trump, who is favored in the polls and has already indicated a reluctance to commit to ensuring the security of Europeans.

In light of the possible escalation of events, it is fortunate that a

* This editorial was also published as *European Letter* No. 78.

debate on the creation of a common defense has finally begun in public opinion, among national chancelleries, and within European institutions: there seems to be a growing perception that Europe must become capable of protecting itself without relying so heavily on the United States and by surpassing the solely national dimension of defense, which hinders the mobilization of sufficient resources for the creation of a credible deterrent force against external enemies, starting with Russia. However, there is still much confusion about what it means to create a European common defense and the ways to build it.

In the ongoing debate, various voices propose to establish a “defense union” within existing treaties. The proposals generally involve the development of an initial military capability of the Union based on some existing legal bases, such as the constructive abstention under art. 31.1 TEU for decisions concerning the common foreign and security policy, articles 46.1 and 46.2 TEU on permanent structured cooperation in defense, or through separate agreements between some governments.

Unfortunately, these are solutions that have already been unsuccessfully attempted in the past, as they are based on the “Europe à la carte” model: groups of member states engage in coordinated actions essentially of an intergovernmental nature with a veneer of “European legitimacy”, made possible only by the temporary convergence of distinct national interests and logics. Furthermore, we are not talking about truly European actions or instruments, but rather national ones, which necessarily require the approval of the Parliaments of the member states and depend almost entirely on the resources made available by each of them.

One of the major obstacles to the creation of a true European defense is indeed political in nature and concerns the practically insurmountable difficulty of developing a common European vision of foreign policy objectives starting from the attempt to harmonize 27 often divergent national interests (both political, geostrategic, and economic interests). In fact, various attempts to proceed with this method in the past have never been particularly successful (think of EU military missions in the Red Sea and the Sahel or, more recently, the introduction of PESCO for financing common projects in the defense field), nor has any of these measures served as a “springboard” to build a true European defense, because they all lacked the essential prerequisite, namely the creation of a Union foreign policy that reflects the common will matured within its institutions, particularly the Parliament and the Council. It should be added that if they have never worked in the past, today these solutions are completely inadequate given the current situation because – due to

the model and assumptions on which they are based – they are no longer feasible in the face of the risk of war on European territory against a nuclear power.

Therefore, if European defense is to be taken seriously, there are no shortcuts: it is necessary to support those transfers of sovereignty at the European level that allow the Union to have its own true political autonomy, not only getting rid of the vetoes and blackmails of the member states, but also by creating the conditions to express a genuine European interest, common because it is *general*. This is what happened when the decision was made to truly establish the monetary union (by overcoming the European Monetary System and creating the European System of Central Banks) or, more recently, when the EU created its first instrument of fiscal policy with the Recovery Fund (managed by the Commission with debt raised on the markets by the latter on behalf of the Union). Everything else, from strengthened military cooperation to intergovernmental agreements, does not contribute to creating a European defense, but at most to maximizing the strength and resilience of national defenses through cooperation instruments in an intergovernmental dimension.

It is not denied here that, given the urgency, it is good to start doing some things with existing rules. Therefore, the acceleration in the creation of a European defense industry is welcome (also thanks to the introduction of a Commissioner with this task in the next legislature) to immediately implement the sharing of resources and the necessary know-how for the rearmament of Europe. However, the necessary condition for creating a European defense continues to be, now more than ever, a reform of the Union's institutional framework.

This reform is now possible, and even quickly, because there would be conditions to realize it and make it operational by the end of 2025. Thanks to the work of federalists in civil society and in EU institutions, on 22 November last year, the European Parliament activated the procedure of Treaty revision to reform the Union based on an ambitious project aimed at developing a true European foreign policy and initiating military integration. The institutional reforms requested by Parliament include in particular the extension of majority voting in the Council on foreign policy and security matters and, above all, the involvement of the European Parliament in decision-making processes in these areas. This is the right direction to create a European foreign policy followed by a military union equipped with credible resources (also thanks to the development of an indispensable fiscal capacity of the Union).

What Europe does not need for its defense, however, are shortcuts and fake solutions: to believe that the Union can be equipped with its own defense by bypassing the crux of the matter, which involves essential transfers of sovereignty from the national to the European level, by empowering EU institutions and giving them the ability to decide. To believe and make believe that, all in all, this step is not so indispensable, or that it can occur by itself at a later time, would provide yet another excuse to those conservative forces at the national level, and even within the Union, that do not want to change the *status quo* of power in Europe and aim to bury the reform project courageously advanced by the European Parliament last November.

Faced with the urgency of moving towards a true European defense, the European Council should avoid puppet solutions and convene, as requested by Parliament, a Convention to draft a reform of the EU Treaties already in 2025. This decision would have an enormous political impact, showing the entire world and, in particular, Europe's enemies that the Union is moving towards substantial unification and has finally begun to take care of its own security. Such a perspective would serve as a much more powerful deterrent than increasing national military spending or creating fake defense unions based on the voluntary participation of member states.

The Federalist

From Own Resources to Fiscal Union

GIULIA ROSSOLILLO

Introduction.

To understand exactly why creating a fiscal union is so important, and also the difficulties that the integration process encounters whenever attempts are made to move in this direction, it is worth going back to the origins of the current system of financing the EU. Indeed, looking back over the history of this system, and at the various efforts to democratise decision making on own resources and remove the requirement for unanimity among the member states, the limits of the current system become clear. These limits help us to understand what reforms are needed for the Union to be able to act independently of the member states when it comes to finding the resources it needs in order to function.

The difficulty, which this analysis will bring out, of evolving towards a system that is similar to that of the European Carbon and Steel Community (ECSC),¹ and thus different from those used to finance traditional international organisations, is a reflection of the member states' awareness of how crucial an organisation's funding mechanism is to its own level of autonomy, and therefore of the strong political significance that such an evolution would have.

¹ Under art. 49 of the ECSC Treaty, the High Authority could impose levies on the production of coal and steel, and could also contract loans. These levies were assessed "according to their average value [and their rate could] not exceed one percent unless previously authorised by a two-thirds majority of the Council". On funding of the ECSC, see 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, 70 (1954), pp. 986 ff.; P. Mioche, *Les cinquante années de l'Europe du charbon et de l'acier*, Luxembourg, Commission européenne, Office des publications, 2004, p. 71; 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, March 2015; 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, pp. 57 ff..

From Members States' Contributions to "Own Resources".

In accordance with the provisions of art. 200 of the Treaty establishing the European Economic Community (EEC Treaty), the EEC, at the time of its creation, was financed entirely by contributions from the member states, just like other international organisations (with the exception of the ECSC). Unlike what is set out in the founding acts of classical international organisations, however, art. 201 of the Treaty envisaged the possibility, in the future, of switching to a financing system based on own resources, implying financial autonomy of the supranational level vis-à-vis the member states.²

This step, however, would be subject to a decision reached through a difficult and laborious procedure. It was in fact envisaged that the Council, acting unanimously, and after consulting the Assembly (European Parliament), should lay down the provisions needed to switch to an own resources system, recommending that they be adopted by the member states, in accordance with their respective constitutional requirements: effectively, this meant there had to be double unanimity, i.e., at European and at national level, and that the procedure was in the hands of government representatives, with the European Parliament having only consultative power.

The intergovernmental nature of this procedure and the European Parliament's limited role in it can be explained by the following circumstances. The Parliament back then was an institution with very limited powers and was not elected by direct universal suffrage. Its purely consultative role in determining the Union's resources was therefore merely a consequence of its lack of real weight within the overall structure of the EEC. As for the laborious intergovernmental nature of the decision making, art. 201 of the EEC Treaty envisaged a procedure similar in some respects to a treaty revision procedure, in that it required not only a decision at a supranational level, but also ratification by the member states. In the Treaty of Rome, the situations requiring approval by the member states were deemed – as they are today – exceptional ones, limited to a handful of transitions with the capacity to radical-

² Art. 201 TEC: "The Commission shall examine the conditions under which the financial contributions of member states provided for in Article 200 could be replaced by the Community's own resources, in particular by revenue accruing from the common customs tariff when it has been finally introduced. To this end, the Commission shall submit proposals to the Council. After consulting the Assembly [European Parliament] on these proposals the Council may, acting unanimously, lay down the appropriate provisions, which it shall recommend to the member states for adoption in accordance with their respective constitutional requirements."

ly affect the integration process. Transitioning to a financing system based on own resources could in fact be seen as a fundamental change destined to alter both the functioning and the very character of the European Union, and therefore it justified the use of a procedure requiring unanimous approval at two levels.

Once such a transition were complete, however, it would no longer make sense to maintain provision for such a decision-making procedure, which had, after all, been intended by the drafters of the Treaty as a one-off mechanism.³ In the 1960s, in fact, the Commission twice proposed modifying art. 201 EEC Treaty, suggesting that, once it had been decided to switch to a system of own resources, the subsequent determination of the new resources should be achieved through a simpler procedure, involving a more prominent role for the Parliament and, following the introduction of election of the EP by direct universal suffrage, elimination of the need for national ratifications.⁴ Abolition of the latter was also requested by the Parliament itself in a 1969 resolution in which it demanded the power to decide on the Community's resources.⁵

However, since these proposals were never implemented, they have not been able to undermine the monopoly of the member states in this area. Thus, in 1970⁶ the first own resources were introduced with a decision adopted according to the procedure provided for by art. 201 EEC Treaty, and subsequent decisions on own resources have been reached following the same procedure, now set out in art. 311 TFEU.

In particular, the 1970 decision on own resources provided that revenue from the common customs tariff (duties) and from agricultural levies would flow into the Union budget; these two can be considered the ultimate "own" resources, given that they are linked to the com-

³ In this sense, see: A. Boissenin, *Le financement de l'Union européenne: moteur d'une intégration politique? Contribution à l'étude du système budgétaire européen*, Paris, INSP, 2019, p. 160.

⁴ Under the terms of the Commission's proposal, should the European Parliament approve the proposal by a two-thirds majority, the Council would then be able to act on it by a qualified majority, rather than unanimity. Cf. *Projet de traité portant modification des articles 201 et 203 du traité instituant la Communauté économique européenne*, in *Parlement Européen, Les ressources propres aux Communautés européennes et les pouvoirs budgétaires du Parlement européen*, Luxembourg, 1970, pp. 81 ff..

⁵ European Parliament resolution of 10 December 1969 containing its opinion on the proposals from the Commission of the European Communities to the Council relating to the establishment of Community own resources and increasing the budgetary powers of the European Parliament.

⁶ 70/243/ECSC, EEC, Euratom: *Council Decision of 21 April 1970 on the replacement of financial contributions from member states by the Communities' own resources*, in OJ L 94, 28.4.1970, pp. 19-22.

petences of the Union and are paid entirely into the common budget. There then followed the introduction of Community VAT, which can be defined as a “weak” own resource since it is not linked to the Union’s competences and is only partially paid into its budget.

Finally, in 1988, following the same procedure, the so-called fourth resource, consisting of a percentage of the member states’ GNP, was introduced. It constituted a residual resource, meaning that it was used to cover the part of the Union’s expenditure not covered by the other three resources. Despite this, as a result of the decrease in traditional own resources and the increase in the Union’s competences, the “fourth resource” now accounts for more than 70 per cent of the Union budget.⁷

The Three Limits of the Current System for Financing the European Union.

From the picture outlined above, it is clear that the system for financing the European Union corresponds neither to the characteristics of the ECSC financing system, nor to the Founding Fathers’ idea reflected in art. 201 of the EEC Treaty. It is also clear that it presents three crucial limits, namely: the type of own resources, now largely accounted for by a single resource identical in all respects to state contributions; its lack of democracy, given that the EP is still merely consulted; and the fact that the Union remains dependent on the member states also with regard to the procedure for taking decisions on own resources.

These are aspects that are closely linked to each other, and should therefore be addressed together. Addressing only some of them, as those who focus solely on the need to replace the fourth resource with different resources seem to want to do, can only result in a reform that would either fail to affect the Union’s capacity for self-determination, or actually worsen the current situation.

First of all, it is inconceivable to think that the issue of the EP’s limited involvement in decisions on own resources and that of eliminat-

⁷ Given that this last resource does not differ in any way from the state contributions that financed the EEC prior to 1970, the expression “own resources” has now lost its original meaning as an instrument aimed at guaranteeing an autonomous financing capacity at European level. On this point, see A. Boissenin, *Le financement de l’Union européenne: moteur d’une intégration politique ?*, op. cit., p. 46. On the substantive meaning of the expression “own resources”, see C.D. Ehlermann, *The financing of the Community: the distinction between financial contributions and own resources*, Common Market Law Review, 19 (1982), pp. 517 ff.; G. Isaac, *La notion de ressources propres*, in G. Isaac (sous la direction de) *Les ressources financières de la Communauté européenne*, Paris, Economica, 1986, pp. 70 ff.; G. Rossolillo, *Autonomia finanziaria e integrazione differenziata*, Il Diritto dell’Unione europea, 4 (2013), pp. 793 ff..

ing ratification of own resources decisions by the national parliaments can be dealt with separately. And this is true whether we are wanting to eliminate national ratifications, but not increase the role of the European Parliament, or whether we are instead wanting to attribute to the European Parliament the power of co-decision with the Council in matters of financing of the Union, but without eliminating the member states' ratification of the decisions.

In fact, eliminating national ratifications without at the same time strengthening the role of the EP by making it a co-decision maker, together with the Council, on matters of financing the Union, would be tantamount to creating a democratic legitimacy vacuum in an area – taxation – that is one of the very pillars of sovereignty. In such a situation, in fact, the citizens' representatives would have no say on the Union's revenue either at national level, because the national parliaments would be excluded from the decision on own resources, or at European level, given that the European Parliament, still only consulted, would have no power to influence the determination of these resources. Conversely, giving the European Parliament the power to decide on own resources together with the Council without eliminating national ratifications would render this change ineffective from the point of view of the Union's acquisition of independence, since the individual member states would retain their power to veto decisions on European-level funding.

As for the link between national ratifications and the type of EU own resources, it should be pointed out that the democratic legitimization of a decision on the Union's resources is closely dependent on the type of resources in question. When the EEC was financed by member states' contributions, it was in fact perfectly legitimate that the decision on the organisation's revenues, since it involved the finances of the states themselves, should be approved by their parliaments,⁸ and therefore that the democratic legitimization of the decision should occur at national level.

If, on the other hand, the EU were no longer financed by state contributions, and granted the power to independently procure the resources necessary for the exercise of its competences, which would mean equipping it with autonomous powers of taxation over both citizens and businesses, then the democratic legitimization would instead have to

⁸ A. Boissenin, *Le financement de l'Union européenne: moteur d'une intégration politique ?*, op. cit., p. 160; A. Iliopolou-Penot, *L'instrument pour la relance NextGenerationEU: "where there is a political will, there is a legal way?"*, *Revue trimestrielle de droit européen*, 57 (2021), pp. 527 ff., specifically p. 530.

come from the representative body of European citizens/taxpayers as a whole. Under the current art. 311 TFEU, decisions on own resources have to be approved by the member states according to their respective constitutional rules, and this is precisely because, contrary to the will of the Founding Fathers, the EU's current financing system includes not only own resources in the strict sense, but predominantly resources that are in all respects equivalent to state contributions.

Articles of Confederation and European Union.

Having established the need to address the above-mentioned limits (type of resources, democratic legitimation, EU's decision-making autonomy) in order to be able to arrive at a true fiscal union, and grant the EU independence from the member states within its own sphere of action, we now need to consider what might bring this step closer, and what the consequences would be for the structure of the Union as a whole.

In this regard, some interesting pointers can be drawn from the American experience, and in particular from the construction of a federal fiscal power during the transition from Articles of Confederation to federation.⁹

This reflection can take as its starting point the fact that, in terms of central level funding, the situation of the American states under the Articles of Confederation was very similar to that of the European Union today. The American Confederation was in fact directly financed through contributions paid by its member states, and therefore had no scope to act independently of them.

The American War of Independence, of course, arose as a result of Britain's attempt to raise taxes in its American colonies as a way to pay the debts of the Seven Years' War, and the colonies' refusal to pay these taxes, unless they were represented in the British Parliament. However, once they had gained their independence and given rise to a confederal form of organisation, regulated by the Articles of Confederation and founded on the principle that "each state retains its sovereignty, freedom and independence" (Article II), the former colonies were themselves forced to impose taxes, moreover very high ones, to cover the debts incurred to finance the War of Independence. In fact, according

⁹ On the transition from the *Articles of Confederation* to the federal form, see for all J.J. Ellis, *The Quartet, Orchestrating the Second American Revolution 1783-1789*, New York, Alfred A. Knopf, 2016. On the similarity between creating a federal fiscal power in the USA and the EU's situation, see T. Wozniakowski, *Fiscal Unions. Economic Integration in Europe and the United States*, Oxford, Oxford University Press, 2022.

to art. VIII of the Articles of Confederation,¹⁰ the contributions needed to finance the Confederation were decided by the Congress, whose decisions were applied to the member states: it was therefore the latter that had to feed the confederal budget, and therefore find the necessary resources by imposing taxes on their own citizens.

The fact that the excessive burden of these taxes had triggered a reaction, even riots, among the citizens in some states, explains why the states themselves began to refuse to pay their contributions to the Confederation, creating huge difficulties for it and effectively preventing it from functioning.

To deal with this situation, Congress proposed imposing a common tariff of 5 per cent on imports, to directly finance the confederal budget. This, however, would necessitate a modification of the Articles of Confederation which, like the current Treaties establishing the EU, could only be modified with the unanimous consent of the member states. Rhode Island opposed the idea. Two years later, the same proposal, adapted to overcome Rhode Island's objections, was presented again, but this time it was the State of New York that opposed it, thereby ending the prospect of a common tax on imports.

Albeit in a different historical context, the situation just illustrated recalls the difficulties that emerge in the European Union whenever it has to address the issue of its financing, still subject to the threat of a veto by any single member state.

In the case of the American Confederation, it was precisely the unsustainability of this situation that prompted the move towards federal taxation and, a few years after a war of independence triggered by taxes imposed by the British, to the decision to create a federal government endowed with fiscal power.

The Elements Pushing Towards Fiscal Union in the American Experience.

It is interesting to refer to the creation of the United States of America not just because of the similarity between the structure of the American Confederation and the current structure of the European Union,

¹⁰ "All charges of war, and all other expenses that shall be incurred for the common defense or general welfare, and allowed by the United States in Congress assembled, shall be defrayed out of a common treasury, which shall be supplied by the several States in proportion of the value of all land within each State, granted or surveyed for any person, as such land and the buildings and improvements thereon shall be estimated according to such mode as the United States in Congress assembles, shall from time to time direct or appoint. The taxes for paying the proportion shall be laid and levied by the authority and direction of the legislatures of the several States within the time agreed upon by the United States in Congress assembled."

but also because it allows us to identify, in the American experience, elements that led to the creation of a fiscal union, and thus to the transition to the federal solution — elements that might, in turn, help us to see where the push in this direction might come from within the European integration process.

The first point to note is that in the American experience, debt was the starting point of the process that culminated in the assignment of fiscal power at central government level. There are two reasons for this: first, the federal government had taken on the debt of the states (which had completely lost the confidence of their creditors and were therefore unable to find resources), and thus freed them from a considerable burden;¹¹ second, the federal government, to be able to do this, had had to find resources quickly, and had done so by incurring debt, in this case backed by federal taxes. Essentially, starting from the need to deal with state and confederal debts made it easier to eventually assign fiscal power to the federal government; moreover, the existence of the federal fiscal power made the federal bonds more attractive, in the sense that these were bonds guaranteed by a system of government — the new American federation — capable of independently finding the resources necessary to repay them.¹²

¹¹ On this point, see J.S. Steele Gordon, *Hamilton's Blessing. The Extraordinary Life and Times of Our National Debt*, New York, Walker & Company, 1998, pp. 27 ff.. Hamilton's suggestion that the federation take on the states' debt was rejected by Congress five times before he finally managed to get it approved. One of the reasons that drove Hamilton to insist on the extinction of state debts and the creation of a federal debt was his awareness of the link between ownership of federal debt securities and loyalty to the federation: "The debts, of course were largely held by the prosperous men of business, commerce and agriculture — the oligarchs, in other words. These men's loyalties lay mainly with their respective states and the cozy local societies in which they had grown up. Although they had largely supported the creation of the new Union, Hamilton had every reason to suppose that their support would quickly fade away if their self-interest dictated it. Hamilton, therefore, was anxious to make it in the self-interest of these men to continue their support of the Union. If they had a large share of their assets held in federal bonds, they would have powerful incentives for wishing the Union well." (J.S. Steele Gordon, *Hamilton's Blessing*..., *op. cit.*, p. 29).

¹² On this point, see J.S. Steele Gordon, *Hamilton's Blessing*..., *op. cit.*, pp. 31 ff.. As noted by T. Wozniakowski, *Fiscal Unions. Economic Integration in Europe and the United States*, *op. cit.*, p. 12, a decade after the creation of the American federation, the federal government of the United States managed to obtain 600 times more revenue from the common customs tariff than the states had previously obtained separately. The same would happen in the European Union, if a supranational fiscal power were created: "for instance, if a digital tax were introduced at EU level, tech companies would not be able to take advantage of the tax competition between the member states and so would not be able to evade such tax by shifting their tax residence to a state with a low tax on the income that they generate. Member states would benefit from the fact that the EU would be fiscally independent — their share of transfers to the EU would diminish as a result, which could potentially lead to lower rates of domestic taxes" (note 48).

In this respect, the path taken by the European Union with Next-GenerationEU confirms that starting from the debt problem is easier than tackling the issue of taxation directly. In the European Union, however, this first step has not yet been followed by the attribution of fiscal power to the European Union, despite the clearly pressing need to find resources to repay its debt.¹³

The second interesting element to emerge from the American experience concerns the indissoluble link between fiscal power and the exercise of competences by the level of government to which this power is assigned. Fiscal competence is in fact the prerequisite for the exercise of any other competence, and so the decision to become part of a fiscal union opens up the possibility of benefiting from the advantages deriving from membership of an organisation capable of exercising its functions effectively. Thus, the fledgling US federal government's proposed import tax might at first glance have been expected to be opposed by coastal states, such as the State of New York, since these states were the only ones that benefitted from import taxes levied at state level. However, the coastal states, being geographically more exposed to enemy invasions, regarded the federal tax, which would have made it possible to fund a common army, as an advantage capable of compensating for their loss of revenue from import taxes.

The link between taxation and the exercise of all other competences now needs to be clearly highlighted in the debate on the construction of a European fiscal union, too. It is in fact an element that can could help to firm up consensus around the need to create a European fiscal capacity, even in those states traditionally hostile to limiting their sovereignty in this sector. Only through this step will it be possible to guarantee the European Union's ability to act effectively in all those areas in which the action of individual member states is no longer an adequate solution. Thus, countries such as Poland or the Baltic states, concerned by the absence of a European defence in the face of the threat from Russia, should be reminded that the transfer of fiscal power to the Union would carry the possibility of financing a European defence capable of protecting the member states most exposed to external threats.

Finally, the indissoluble link between the creation of a supranational fiscal power and the creation of a new institutional structure must be underlined. In the United States, in fact, the transfer of fiscal power to the federation raised the issue of the exercise of this power and how

¹³ On the prospect of new own resources, see: C. Sciancalepore, *Le risorse proprie nella finanza pubblica europea*, Bari, Cacucci, 2021.

this should be controlled; this was addressed through the creation of a bicameral structure and a system of checks and balances that went on to shape the federal state. In the European Union, addressing the issue of fiscal union and supranational taxation would inevitably highlight the need for a governing body responsible for deciding fiscal policy directions on the basis of political assessments. This role should fall to the Commission, which should have a political function rather than its current purely technical one, and be appointed according to a mechanism that ensures it is the expression of the majority formed within the EP. Therefore, assigning Europe fiscal power would inevitably help to lay the foundations for the creation of a democratically legitimised European government.

The EU's Geopolitical Priorities: Africa and the Mediterranean

DOMENICO MORO

The aim of Europe's Green Deal strategy, namely to reach a carbon-free economy by 2050, has to date been discussed solely from the perspective of what the single national governments can do to eliminate carbon dioxide emissions, as though this policy were entirely unrelated to Europe's relations with the rest of the world: but this is not the case. The Green Deal objective provides evidence, once again, that the world (and this applies to Europe in particular) is growing ever more inter-dependent, and that economic policies, even those of continental-size political communities, have to take these global relations into account. From the perspective of its carbon-free objective, the EU's relations with not just the Middle East and Asia, but also Africa, are crucial.

Given the long-term framework of the Green Deal, which refers to the period up to 2050, EU-Africa relations need to be analysed from two angles, which are interrelated: policy on fossil fuels and renewable energy sources, and security policy. From the energy policy perspective, it should be kept in mind that the EU will have to rely on fossil energy for several decades to come, after which it will be reliant on renewable energy that it will not be producing entirely autonomously. From the security policy angle, on the other hand, the war in Ukraine, by exposing Germany and Italy's strong dependence on Russian natural gas, has clearly illustrated the link that exists between energy supplies and foreign/security policy. The EU, to end its dependence on Russian gas, has begun importing more natural gas from other parts of the world, such as Azerbaijan, the Democratic Republic of the Congo, Angola and Mozambique, yet this choice is complicated by the revival of old conflicts in these areas, such as the war between Armenia and Azerbaijan,¹ and the ignition of new ones, in the countries of sub-Saharan Africa, for example.

¹ The war in the Caucasus, in particular, has highlighted Italy's strong dependence on natural gas supplies from Azerbaijan. In fact, Italy opposed EU aid to Armenia, and the only European country that was able to help the latter militarily was France.

But it is also necessary to consider the global ramifications of the link between security policy and energy, which are precisely why China has strengthened its political-economic ties with the African continent. Yet such ramifications affect not only China but also the United States.

These two continents, however, have chosen to go down different routes. In 2011, China depended on foreign supplies of oil and natural gas for 64 per cent and 24 per cent of its domestic consumption respectively, whereas by 2021, these shares had risen to 74 per cent and 43 per cent respectively.² China, therefore, like the EU, is keen to see political stability in the parts of the world that supply energy.

The USA, on the other hand, faced with its growing inability to ensure world order, has opted to pursue an energy policy designed to free it from its dependence on supplies from the rest of the world, supporting investments in shale oil and shale gas, despite the considerable environmental impact of these resources. Indeed, whereas in 2011 imports of oil and gas still accounted for 49 per cent and 8 per cent of the USA's domestic consumption respectively, by 2021 just 3 per cent of oil consumed was imported, and the USA had become a net exporter of natural gas.

As far as EU-Africa relations are concerned, the link between energy and security is illustrated not only by the fact that the launch of the European Green Deal will lead to a progressive reduction in purchases of fossil energy from abroad, but also by the main economic policy tool on which the Deal is based, namely the so-called carbon border adjustment mechanism. In the coming years, this measure will already be starting to influence relations between the EU and third countries.

In the present context, we confine ourselves to general considerations concerning EU-Africa relations in both the short and the medium-to-long term. In the short term, the Green Deal's consequences will be felt following the entry into force, on 1 October, 2023, of the aforementioned "carbon border adjustment mechanism",³ a measure designed to create a level playing field by progressively ensuring that "the carbon price of imports is equivalent to the carbon price of domestic production and [therefore] that the EU's climate objectives are

² The figures for the USA and China are based on data taken from: *BP Statistical Review of World Energy June 2012* (<https://www.laohamutuk.org/DVD/docs/BPOWER-2012report.pdf>), and *BP Statistical Review of World Energy 2022* (<https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2022-full-report.pdf>).

³ Cf. European Parliament, *A WTO-compatible EU carbon border adjustment mechanism*, resolution of 10 March 2021, https://www.europarl.europa.eu/doceo/document/TA-9-2021-0071_EN.pdf.

not undermined.” Accordingly, goods imported into the EU from third countries will be subject to a tax on imported carbon, which will depend on the European carbon price determined by the EU Emissions Trading Scheme mechanism. Initially, this tax will concern a small number of industrial sectors (iron and steel, cement, fertilisers, aluminium and electricity production), and therefore its impact on African economies will be limited; its broader application, however, could seriously hamper their development.

This carbon tax, which is part of the new own resources package approved by the Council on 14 December 2020,⁴ and will be fully applied from 2026, is among the own resources that will have to be introduced for another reason, too: to guarantee repayment of the debt issued by the European Union to finance the NextGenerationEU recovery programme. It is estimated that the revenue from this tax alone will range between 5 and 14 billion euros per year. The European Parliament, in its resolution of 10 March 2021, requested that part of the resources resulting from its application be used to fund investments promoting the energy transition of less developed countries. This is the context in which the European Commission decided to extend, from 2020, the EU-Africa partnership to the renewable energy sector. Full implementation of the series of initiatives that this entails would allow Africa to become the first continental economy in the world to achieve economic development without necessarily going through a transitional phase involving the use of fossil energy sources.

In the medium-long term, Europe’s objective of moving towards a carbon-free economy by 2050 will lead to the disappearance from the world market of an annual demand for energy from fossil sources worth over 320 billion euros.⁵ Much of the European share of this demand, specifically for natural gas and oil, is covered by African coun-

⁴ Cf. *Council Decision (UE, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/UE, Euratom*, <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020D2053>. Furthermore, 16 December 2020 saw the approval of an interinstitutional agreement aimed at defining a timetable for the introduction of these new own resources (*Interinstitutional agreement between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources*, [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020Q1222\(01\)](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020Q1222(01))).

⁵ M. Leonard, J. Pisani-Ferry, J. Shapiro, S. Tagliapietra and G. Wolff, *The geopolitics of the European Green Deal*, Bruegel, Policy Contribution Issue n. 04/21 | February 2021, https://www.bruegel.org/sites/default/files/wp_attachments/PC-04-Gren-Deal-2021-1.pdf.

tries such as Algeria, Angola, the Democratic Republic of the Congo, Libya and Nigeria. Recently, moreover, following the Russian invasion of Ukraine, imports from African and Middle Eastern countries have increased to compensate for the reduction in energy purchases from Russia.

Prior to the outbreak of the war in Ukraine, EU purchases of natural gas and oil accounted for between 75 and 90 per cent of all the EU-bound exports of African countries such as Libya, Nigeria and Algeria. From another perspective, in other words looking at the importance of the European market to these countries' overall fossil energy exports, Europe is seen to account for a share of between 35 per cent (Nigeria) and 60 per cent (Algeria and Libya) of these countries' global energy exports. As just pointed out, these latter percentages are destined to grow following the EU's decision to stop purchasing energy from Russia. It goes without saying, therefore, that achieving the goal of a carbon-free European economy would eliminate a considerable share of these countries' exports, worsening their economic and social situation.

This is why the EU, if it wants to avoid exacerbating these countries' economic difficulties, and therefore triggering a further increase in the flow of economic migrants to Europe, must promote a Euro-African renewable energy production development plan. This plan is not only necessary to help these countries convert their energy production to renewable energy; it is also indispensable for the EU which, without it, will struggle to achieve energy self-sufficiency. Following the European Commission's unveiling, in 2020, of its Hydrogen Strategy⁶ plan, the EU began to promote numerous projects for the creation of a hydrogen economy. However, despite the plan's premises, it quickly became apparent that the EU would not be able to achieve self-sufficiency in sustainable hydrogen production.⁷

Indeed, the subsequent initiative, named REPowerEU, envisaged that 10 million tonnes of renewable hydrogen would need to be imported, in other words 50 per cent of Europe's total renewable hydrogen requirement of 20 million tonnes. The Commission's forecasts indicate that imports of renewable hydrogen should come mainly from African

⁶ Cf. European Commission, *EU Hydrogen Strategy*, https://energy.ec.europa.eu/topics/energy-systems-integration/hydrogen_en#eu-hydrogen-strategy.

⁷ Cf. L. Collins, "'Europe is never going to be capable of producing its own hydrogen in sufficient quantities': EU climate chief", *Rechargenews*, 4 May 2022, <https://www.rechargenews.com/energy-transition/europe-is-never-going-to-be-capable-of-producing-its-own-hydrogen-in-sufficient-quantities-eu-climate-chief/2-1-1212963>.

and Middle Eastern countries,⁸ with which, moreover, the first agreements have already been reached.

If we take into account a number of factors — the political instability of Africa as a whole, the spread of terrorist organisations operating within the continent, the frequent civil wars within many African countries and, above all, the established military presence of the USA, the growing military presence of Russia, and the growing economic influence of China —, the dual objective (nevertheless possible) of making Africa the first continent to achieve development without resorting to fossil energy sources, and of ensuring that the EU has the renewable energy it needs, is undoubtedly a highly ambitious one. For this reason, the EU as a whole will have to come up with convincing proposals, and ensure that it is credible on a political and military level. And this brings us to the second aspect of relations between the EU and Africa.

The turning point in these relations can only come when France finally manages to reckon with its colonial past in Africa, because the fact is that so far, in its dealings with Africa, it has never really shed its colonial mindset. The independence granted to the French colonies in Africa from the 1960s on was, to a large extent, purely formal.⁹ The effects of this French policy actually date back to the entry into force of the 1947 Colonial Pact between France and its eleven African colonies, an agreement that, in spite of the decolonisation process, has managed to survive over the decades since. The Pact provided for the maintenance of France's military presence in its former colonies and constituted the legal basis for military interventions in the African countries under French influence. De Gaulle maintained that the continuation of the measures provided for by the Pact was justified by the prospect of growing political integration between France and its former colonies, a scenario, never destined to endure, that he dubbed *Françafrique*. In fact, the succession of French presidents that followed him, from Mitterrand onwards, including Chirac, Holland and Macron, had to admit that *Françafrique* had become a meaningless political vision.¹⁰ But the

⁸ Cf. 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.

⁹ G.K. Busch, *The U.S. and the wars in the Sahel*, Academia, https://www.academia.edu/33189877/The_U_S_and_the_Wars_in_the_Sahel.

¹⁰ *La fin du pacte colonial ? La politique africaine de la France sous J. Chirac et après*, Politique africaine, n. 105/2007, <https://www.cairn.info/revue-politique-africaine-2007-1-page-7.htm>; O. Faye, *Les adieux répétés des présidents à la « Françafrique »*, Le Monde, 10 March 2023, https://www.lemonde.fr/m-le-mag/article/2023/03/10/les-adieux-repetes-des-presidents-a-la-francafrique_6164976_4500055.html; Emma-

continued existence of a colonial-type relationship, in spite of various declarations to the contrary, has generated, in the African countries, feelings of mistrust and frustration towards France.

The Pact, in fact, also had economic implications, as it ensured preferential treatment for French companies. Furthermore, it gave rise to the establishment of two financially integrated areas that both use the CFA franc (where CFA stands for *Communauté financière d'Afrique*): the West African Economic and Monetary Union (UEMOA, whose eight member states are Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo), and the Central African Economic and Monetary Community (CEMAC, whose members are Cameroon, Chad, Gabon, Equatorial Guinea, the Central African Republic, and the Democratic Republic of the Congo).

These two economic-financial communities, which are a partial reflection of the influence France exerts over African countries, are becoming increasingly crisis ridden. At a summit held last spring between France and the CEMAC member states, as France reiterated its commitment to ensuring the convertibility of the CFA franc, the African countries were instead calling for the progressive removal of France's representatives in the CEMAC central bank and the repatriation of reserves held in the French central bank.¹¹

The distancing from France has been even more dramatic within the UEMOA: Mali, Burkina Faso and Niger have all experienced anti-French coups d'état, as indeed has Chad, which is a member of CEMAC. These coups d'état have thus involved four of the five countries that, back in 2014, set up the G5 Sahel, an institutional framework for the coordination and monitoring of regional cooperation in development and security policies in the region. These examples are a clear demonstration of the failure of French policy towards African countries, a context in which the only chance of rebuilding a constructive relationship probably rests with the EU, although France will first have to have ended all its colonial-type relationships. For its part, the EU, to be credible, will have to choose interlocutors recognised by African countries. These interlocutors should be, on the

nuel Macron au Gabon : l'ère de la « Françafrique est révolue », déclare le président français, *Le Monde*, 2 March 2023, https://www.lemonde.fr/afrique/article/2023/03/02/emmanuel-macron-a-commence-sa-tournee-africaine-sur-le-theme-de-la-protection-des-forets-au-gabon_6163848_3212.html.

¹¹ C. Cosset, *Ressources financières et franc CFA : à Paris, une réunion ministérielle Cemac-France aux multiples enjeux*, Radio France Internationale, <https://amp.rfi.fr/fr/afrique/20230425-ressources-financieres-et-franc-cfa-a-paris-une-reunion-ministerielle-cemac-france-aux-multiples-enjeux>.

one hand, the African Union, which has recently been made a G20 permanent member, and on the other, regional organisations such as the Economic Community of West African States (ECOWAS), known in French as the *Communauté économique des États de l'Afrique de l'ouest* (CEDEAO), whose member states are Benin, Burkina Faso, Cabo Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo.¹² This organisation, through the Economic Community of West African States Monitoring Group (ECOMOG), also deals with security. Five ECOWAS member states have planned to adopt a common currency starting from 2025; the currency is expected to be called the Eco and the monetary union will be called the West African Monetary Zone (WAMZ). With regard to the EU's interlocutors, the fact that we identify both the African Union and regional organisations is explained by the fact that the first forms of unification will need to be reinforced at regional level in the initial phase, since the African Union is still a very weak organisation.

The other thing that the EU can do, in order to be a credible interlocutor, is equip itself with an autonomous military force, capable of intervening, at the request of the African Union and the UN, in crisis situations. There are already EU operations underway in Africa, the most important being the Atalanta mission in the Pacific and the mission in the Gulf of Guinea. The latter, established by a Council Decision in August 2023,¹³ has both a civil and a military nature.

On the subject of an independent EU armed forces, we should not forget the establishment of a rapid deployment force — joint and multinational — envisaged by the Strategic Compass. This was approved in 2022, and October 2023 saw the first training mission ahead of its definitive establishment in 2025.

This is of course only a first step towards a European defence, which, to be credible, will have to reach at least the minimum size already envisaged during the European Council in Helsinki in December 1999, when it was decided to establish a 60,000-strong rapid intervention force. The reform of the EU Treaties, approved by the European Parliament during the session of 22 November 2023, and transmitted by the Council to the European Council for the conven-

¹² Between 2021 and 2023, Burkina Faso, Guinea, Mali, and Niger were suspended from the Community following the coups in which they were involved.

¹³ *Council Decision (CFSP) 2023/1599 of 3 August 2023 on a European Security and Defence Initiative in support of West African countries of the Gulf of Guinea*, <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32023D1599>.

ing of a European Convention, could open the way for a further step forward. If, however, the Convention fails to be convened or, if convened, if it fails to produce the desired results, then the states that are willing, within the framework of the Treaties, to support the establishment of an autonomous European military capability to be placed at the permanent disposal of the EU and the United Nations must at that point move in this direction.

MERCOSUR: a Relaunch Proposal

STEFANO SPOLTORE

The election of Javier Milei as president of the Argentine Republic has turned the global spotlight back onto the problems of a country that boasts an unfortunate record: Argentina, in its 200-year history, has recorded more defaults than any other country¹ (a total of nine, including three since 2000). Milei's extraordinary success at the ballot box took the world's media by surprise, after the only things that had really caught their attention during his campaign for the presidency were his somewhat bizarre and histrionic antics — he showed up at rallies with a chainsaw (to underline the need for a cut in state spending) — and several rather extreme off-the-cuff declarations — he talked about abolishing the Central Bank, for example, and levelled accusations of communism at both Pope Francis and the Brazilian president Lula.²

Argentina Caught in a Labyrinth.

Ever since the 1940s followed by the years of Peron's first presidency (1946–1955), Argentina has been dreaming of returning to the good times of the past. Those were, in fact, years in which Argentina, as pointed out by H. Herring, was able to grow rich in the wake of the global conflict, given that it had accumulated vast monetary resources in London and also had the meat and grain that Europe so badly needed.³ This is not the place to go over the events in Argentina's history. All we need say here is that this was the period that saw the birth of the populism of Peron and his partner Evita, who, exploiting their ability to appeal to union leaders, managed to influence and win the support

¹ Argentina has been independent since 1816.

² The new president is profiled by A. Iglesias, *Il fenomeno Milei*, L'Unità Europea, n.6, (2023).

³ H. Herring, *Storia dell'America Latina*, Milano, Rizzoli, 1972, p. 1067. A state of relative wellbeing in the immediate post-war period also favoured the economies of Uruguay and Brazil.

of much of the less affluent section of the population.⁴ Ever since that time, Argentina has clung to the mythical idea of the man or woman of destiny, as was evident in 1973, when Peron returned to power after a long period of exile, hoping to recreate Argentina's golden years. On his return, Peron was once again flanked by a woman, this time Isabel Martinez, who sought to imitate the language and gestures of the unforgettable Evita. The Argentinian people deluded themselves that Peron would usher in a return to stability and wellbeing in the country, but they were just chasing a fantasy. Peron's second government proved short lived; it was overthrown by a brutal military dictatorship, a tragic turn of events that in turn ended with the disastrous Falklands War. Since then, Argentina has re-embraced democracy, although, rocked by continuous financial and political crises, it remains in the throes of a perpetual identity crisis. Marcos Aguinis describes the sensation that Argentina has slid into a labyrinth where darkness reigns, leaving the country on the brink of despair.⁵

For over 50 years, Argentinians' lives have been affected by constant political instability linked to a series of factors: an insane financial and economic policy which has allowed the governors of the federation's member states⁶ to squander public money through clientelism; a monetary policy that drives the country's central bank to print paper money, thereby depreciating the value of the local currency; rampant corruption in the public sector; a flight of capital from the economy; recourse, also by private citizens, to the dollar, deemed the safest safe haven asset, a behaviour that has in turn fuelled the black market; constant requests for financial aid through the IMF; and runaway inflation.⁷ As a result of this combination of factors, the Argentinian people have lost faith in not only their ruling class but also their very country. This lack of faith, and inability to believe in their country, explains why they seek a "man of providence". And yet, Argentina, whose huge mineral resources and rich agricultural production rightly make it a full member of the G20, actually harbours great potential.

In this context of general instability, there is however one element that has guaranteed, and continues to guarantee, the defence of dem-

⁴ The so-called *descamisados*.

⁵ M. Aguinis, *L'atroce incanto di essere argentini*, in M. Chierici (ed.), *Non piangere Argentina: tornano i peronisti*, Rome, L'Unità, May 2003.

⁶ Argentina is a federal presidential republic.

⁷ For example, declared inflation stood at 38 per cent in January 2022, while in the same month of 2023 it was already at 70 per cent, and reached 150 per cent by the end of the year.

ocratic principles in the country, namely its membership of Mercosur, the regional integration project. It is certainly no coincidence that, like a sort of domino effect, the fall of the Videla dictatorship in Argentina was followed by the collapse of the ones in neighbouring Paraguay and Uruguay. At around that time, an integration project was started between Argentina and Brazil which eventually led to the 1991 establishment of Mercosur: ever since then, democracy, albeit sometimes in markedly populist forms, has been a key principle binding its member states. Indeed, its founding treaty contains a so-called democratic clause stating that any member state failing to respect democratic principles will be excluded from the work of Mercosur until democracy is restored within it.⁸ This clause led to the temporary suspension of Paraguay in 2012, while Venezuela's 2016 suspension has yet to be lifted, particularly given the disputed elections in 2019 which confirmed Maduro as president. Mirroring Europe's experience, the start of this South American integration process had the effect of encouraging the defence of democratic principles within the Mercosur region, leading to the longest-ever period of democratic governments in the history of South America.

When discussions between the future founder members of Mercosur (Argentina, Brazil, Paraguay and Uruguay) began at the end of the 1980s, the model they looked to was, in fact, the European one. And thus, in line with Europe's experience, peace and development in the region have favoured the expansion of the project over the years since. In 2012, the four founding member states were joined by Venezuela, which was followed by Bolivia at the end of 2023, while Chile is currently an associate member and participates as an observer in the work of Mercosur.

Now, however, more than 30 years since its establishment, the Mercosur integration project is stalling and, in some cases, seeing its prerogatives challenged. Some governments object to the Mercosur-imposed restriction on the definition of trade agreements with third countries. The desire to change this Treaty clause, under which it is Mercosur that negotiates and signs agreements with third countries, has in the past been expressed by former Brazilian president Bolsonaro's government, for example, and by the government of Uruguay, while more recently, albeit only during the electoral campaign, Milei threatened to take Argentina out of the Mercosur common market. In recent years, the Council of Heads of State of the area opted not to proceed with the direct

⁸ *Protocolo de Ushuaia sobre compromiso democrático*, 24 July 1998, and subsequent amendments.

election of the Mercosur parliament (Parlasur, based in Montevideo) on the basis that those who participate in its work are, in any case, elected to their own country's senate or parliament in national elections.

Indeed, even though the principle of parliamentary elections by universal suffrage, as held in the EU, was accepted in the 1990s, recent years have seen their introduction postponed and ultimately rejected.⁹ This radical decision forced Paraguay to cancel an electoral law that had been approved specifically for purpose of electing the country's Parlasur parliamentarians. What remains, therefore, is the sense, reinforced by the persistence of barriers and customs duties on some goods imported or exported between the Mercosur member countries, of an integration project only partially completed. Many take Mercosur's inability to complete the planned trade agreement with the EU after over twenty years of negotiations as a sign of the political fragility of a bloc heavily influenced by European politics. In actual fact, though, Mercosur bears much of the responsibility for the failure to ratify the agreement.¹⁰

In what is today an extremely difficult global scenario characterised by increasing tensions and conflicts and the need to safeguard the environment in the face of the climate crisis that is engulfing the entire planet, how can Mercosur guarantee itself a future? The only possible answer is by forcefully reviving the integration project through new proposals for its relaunch, and this means abandoning the nationalistic visions that can only undermine the progress made to date by its member countries.

A Proposal: the Creation of a Water and Energy Community (CERE).

The birth of Mercosur was inspired by the political and economic experience of the then European Community, and Europe can today again provide a model, this time to inspire the organisation's revival. The European integration process began at the start of the 1950s with the creation of the European Coal and Steel Community (ECSC). Europe at the time needed an economic policy that would favour the rebuilding of

⁹ For a more in-depth analysis of the crisis gripping Mercosur and of the Parlasur's lack of political weight, see: S. Spoltore, *Mercosur: a Future in the Balance*, The Federalist, n. 6 (2020), Single Issue, p. 107.

¹⁰ *Negoziati UE/Mercosur rinviati a fine 2024*, Ultimahora.com, 21 February 2024. Or *Boletín Parlasur*, 21 February 2024. The umpteenth postponement of the signing of the agreement is also an effect of protests by the European agricultural world, which generally speaking is opposed to it. In this regard, see: S. Spoltore, *L'Accordo UE-Mercosur tra ipocrisie e rilancio*, L'Unità Europea, n. 4 (2023).

the continent, which WWII had left in tatters. The energy source at the time was coal, while steel symbolised the rebuilding of infrastructure. Six countries (France, Germany, Italy and the Benelux countries) set the integration process in motion by creating the ECSC, a body whose role was to decide the production policies and oversee the free circulation and pricing of these two essential commodities. This step led to the birth of the first common institutions, whose existence subsequently favoured the creation, in 1957, of the European Economic Community (EEC) and therefore the European Common Market (ECM), the first stage in the integration process that was to lead to the current European Union (EU). The model that might inspire a relaunch of Mercosur belongs to the early part of the European integration experience.

Peace and development are essential for the defence of democratic principles. To date, Mercosur has managed to guarantee economic development and therefore democracy. It has reduced poverty and allowed the region's countries to enter the ranks of the world's major powers: it is in fact the fifth largest economy in the world. Two of its founding countries (Brazil and Argentina) are members of the G20, and this is in spite of the problems that beset Argentina.

When considering the suggestion that Mercosur might be broken up or downsized, it is important to appreciate that the cause of the bloc's failure to develop lies in the obstacles that individual governments place in the way of a strengthening of its community institutions. Europe knows a similar kind of problem, and in Europe's case it is pure illusion to think that the individual nation states can, by themselves, address the major issues it faces, like environmental protection, migration and the protection of peace. The uncertainty created in situations like these, and this applies the world over, stokes fears that populists exploit, presumptuously claiming that national "solutions" are an adequate answer to problems that have now taken on global dimensions.

The five Mercosur member states share a vast and valuable resource that, because it generates wellbeing, deserves to be preserved, protected and also developed. One of the huge challenges of our times is to defend the environment, an objective that requires huge investments and reconversion of many production activities. One key asset for development and wellbeing is water. There are some parts of the world, such as Africa, where water is in short supply. Others, on the other hand, such as Europe and Asia, now experience, as an effect of climate change, long periods of drought alternating with violent storms bringing flood-



ing and devastation. Water is an absolutely indispensable resource and South America is the part of the world with the highest concentration of rivers, particularly in the Platense region (see map).

This area is home to one of the world's largest inland shipping networks which grants states with no sea ports, but many river ones, access to the Atlantic Ocean.¹¹ The complexity of this river network makes it essential to ensure that these waters, which cross and define the borders of a number of different nations, are well managed, in a coordinated way. This is necessary both during heavy rains and during periods of drought.

When river flows are reduced as a result of the creation of dams for hydroelectric power plants, there can be less water available for downstream countries, a situation that can seriously impact agriculture and water supplies to cities. The hydrographic characteristics of South America's rivers make them navigable for thousands of kilometres. They in fact serve as veritable highways capable of facilitating the

¹¹ There are around forty river ports along the Paraguay River which allow Paraguay to have a veritable naval fleet, and the same applies to Bolivia which sees its shipping concentrated in particular in the port of Busch along the Paraguay river before it enters Paraguayan territory.

transport of goods even from landlocked countries. Bolivia and Paraguay, for example, can transport their goods along the Pilcomayo River or the Paraguay River (hence the name of the country), and, as these flow into the Rio de la Plata, on to the sea ports of Buenos Aires (especially) or Montevideo.

This complex river network has created numerous problems over the years, and in 1993 a privately run and foreign (mainly Belgian) owned company was founded to manage a long stretch of the Rio de la Plata. Today, there is still some debate over whether it is right that this company, called *Hidrovia Paraná-Paraguay*, be managed by private capital rather than state capital. However, there is one aspect that unites the entire region: all five Mercosur member states, for more or less long stretches, make use of this network made up of their waterways that flow into the Rio de la Plata. All five enjoy and exploit the wealth of their rivers for commercial, economic and energy purposes, and this fact alone should be enough to ensure that all five take part in, and take responsibility for, their management. This extraordinary natural resource favours the development of a large part of the sub-continent and therefore cannot and must not become a source of tensions. On the contrary, if managed jointly, it could be used to promote greater well-being in the area.

So, given that all the Mercosur member states use these waterways, why not turn this resource into a jointly managed asset? Why not create, along the lines of the ECSC, an Economic Community for Water and Energy (*Comunidad Económica de Ríos y Energía - CERE*)? This body could improve the management of the waterways and at the same time start a new stage in the region's integration process. The importance of a community managing the area's water assets is underlined by a further consideration. In 2011, the *Centro de Estudios Estratégicos para la Defensa*¹² (*CEED*) drew up a dossier underlining the need for political and military protection of the continent's natural assets, particularly its water resources, against possible external aggression. The *CEED* report predicted that, within two decades, the global water shortage would trigger a general rush to find and secure water supplies.¹³ Although, fortunately, this prediction has so far not been realised, there is no doubt that the problem of identifying and guaranteeing water resources for the section of the world's population that lacks them is an increasingly pressing issue.

¹² The Centro de Estudios was established in 2011 as an independent research centre supported by UNASUR (Union of South American States). It is based in Buenos Aires.

¹³ See: S. Spoltore, *Brasile e Argentina al bivio nel Mercosur*, *Il Federalista*, 54 n. 3 (2012).

The management of waterways for navigation purposes generates a range of costs: for riverbank maintenance, for cleaning up after floods, and for improving the ports that lie on them. The annual costs of managing the final stretch of the Rio de la Plata before the Atlantic Ocean are high, amounting to around 20 million dollars a year. Thus, at the start of 2023, the Argentine government, in order to at least partially cover its dredging and signalling costs, imposed a toll — 1.47 dollars per ton transported — on all ships transiting the long stretch that crosses the country. The decision created strong tensions with neighbouring countries and even led to the seizure of a barge that had failed to pay the charge. There followed an unprecedented diplomatic dispute, with Paraguay even threatening to cut off electricity supplies to Argentina, and to start legal proceedings against Buenos Aires for its “failure to respect the Treaty of Asunción, which guarantees free trade and free navigation of our rivers”.¹⁴ The threat to interrupt energy supplies was made for a reason. Large rivers are an opportunity to generate hydroelectric energy. These South American waterways as well as being used to transport goods have also allowed the construction of massive power plants. The most famous is certainly the Itaipú one built in Brazilian territory, but at the point where the waters of the Paraná flow in from Paraguay. A bilateral agreement between the two countries decrees that any energy produced in excess of their needs can be resold to third parties or even to each other; Paraguay in fact sells Brazil part of its share of the energy produced under the agreement.¹⁵ Another important hydroelectric power plant is the one built on the border between Argentina and Paraguay, again exploiting the waters of the Paraná.

The production and exploitation of hydroelectric energy in this region would lend itself to management at community level, through the creation of a common distribution network that could be integrated with renewable electricity produced by Uruguay. But the government of Uruguay has for years preferred to focus on the construction of power plants that exploit other sources of renewable energy, while new hydroelectric power plants are instead being built in Bolivia.¹⁶ The construction of new power plants actually raises other environmental problems,

¹⁴ See: www.corriere.it/NewsletterCorriere/mondo-capovoltto, Newsletter *América-Cina*, 13 September 2023.

¹⁵ For further information on the shares of energy produced and their cost, see: Bole-
tin *Parlasur*, Buenos Aires, *Telam*, 15 January 2024.

¹⁶ *Bolivia, progetto idroelettrico tra Bala Gorge tra natura e indios*, *Il Caffè Geopolitico*, 3 March 2017.

given the need to divert water courses or to flood entire areas of forest land, which thus means displacing local populations. These are clearly huge political and social issues.

Using the rivers in this area for commercial purposes, or to create the energy indispensable for its development, requires a regional form of management. This is where Mercosur finds itself with a role to play, in creating an ad hoc Community. At present, the only agreements that exist are bilateral ones set up as a means of managing and/or solving problems related to navigation or energy production. The role of an Economic Community for Water and Energy (*Comunidad Económica de Ríos y Energía - CERE*) would be to manage the "exploitation" of the waterways for both commercial and industrial purposes. Initially it could be structured along the lines of the ECSC, and thus given a *High Authority* (an advisory body serving to facilitate the work of the Council) which could for example be composed of 11 members, i.e., two per state plus a further member, chosen from among the five founding countries, in order to allow majority voting; a *Common Assembly*, i.e., a forum for approving laws and discussing the developments of the Community itself (this would give the existing Parlasur a political role); a *Council of Ministers* (one per country); and a *Court of Justice* to resolve any disputes (like the current one between Paraguay and Argentina, which has seen Paraguay threatening to resort to international arbitration), thereby solving Mercosur's current lack of such a court.

While the organisational structure is an important aspect, in the initial phase the basic question remains political. Which of Mercosur's five member states has the courage to support the creation of a Community responsible for the management and development of the region's waterways? Although any of the member states could promote such an initiative, in the current setting, Argentina is showing itself to be the country that could and should take on this leadership role, thus emerging from its labyrinth and giving itself a broader framework of action.

Argentina is the country where all the waters of the great South American rivers converge in the Rio de la Plata, and it is the one with the greatest responsibility for river traffic in the final stretch of this waterway. On a political level, the new Argentine president, who has criticised Mercosur on several occasions, could steer the region's efforts at integration in a new direction, by giving his imprimatur to the new Community. As pointed out by the presidents of all the member

states, this would imply a rethinking of the role and functions of Mercosur as a whole. This region's problems cannot be resolved through national solutions or simple bilateral agreements, but only through the sharing of common policies that make greater integration necessary. This would not be the first time that step-by-step integration has been proposed as an approach designed to lead to the political union of this region. This was, in fact, the dream of the *Libertadores* Bolívar, San Martín and Artigas who, in leading the fight for independence from Spain, were the first to write about the need for a federation of the entire Latin American world.

Europe and the Issue of Security. The Urgency to Reform Europe in a Changing International Context

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Introduction

The Russian invasion of Ukraine, with all its political and economic repercussions, opened a new period of instability in continental Europe, and did so in a context already characterised by rising tensions on the international stage, in regions ranging from the Indo-Pacific to the Middle East. Added to all this is the recent reignition of the Israeli-Palestinian conflict, whose effects on the Mediterranean and on Europe remain to be quantified.¹

The entire global strategic structure has been called into question: the Helsinki framework looks to be definitively compromised, while the declarations made by the Republican candidate for the presidency of the United States,² and also the evolution of US strategic interests in the Asia-Pacific region,³ suggest that we can no longer count on American assistance, which until now has been a pillar of the Atlantic Alliance.

Tensions over foreign policy and defence, and the tone of official

¹ Obviously, we are thinking about the impact on supply chains of the persistent threat of Houthi attacks on commercial ships. See Duci, G., *Mar Rosso: porti mediterranei a rischio bypass*, ISPI/Commentary, <https://www.ispionline.it/it/publicazione/mar-rosso-porti-mediterranei-a-rischio-bypass-165404>.

² Sanger, E., *NATO Weighs Isolation After Trump Outburst*, The New York Times, February, 12, 2024, Section A, p. 1.

³ Among other sources, we suggest: Obama, B., *Speech by President Obama to the Australian Parliament*, Office of the Press Secretary, 2011, <https://obamawhitehouse.archives.gov/the-press-office/2011/11/17/remarks-president-obama-australian-parliament>; Jackson, V., *Relational Peace versus Pacific Primacy: Configuring US Strategy for Asia's Regional Order*, Asian Politics & Policy, <https://doi.org/10.1111/aspp.12675>.

statements by various European leaders,⁴ are highlighting the lack of the institutional tools (both internal and external to the EU) needed to deal with this situation. Overall, this picture clearly shows that the framework established by the Treaty of Lisbon does not provide an adequate basis for responding to the challenges linked to the change in the international scenario and for addressing the international crises in Europe and the Mediterranean.⁵ The current phase in the process of European integration, more than any of the previous ones, lays bare the urgency to overcome the existing institutional framework, and also the need to deepen political integration in the field of defence and foreign policy.

This essay is an attempt to highlight the contradictions of international politics and set out Europe's position in today's international scenario. In other words, we will try to understand the setting in which Europe has operated since the end of the Cold War and the emergencies that the European Union is now called upon to manage. To begin with, we will reflect upon the meaning of both unipolarity and the multipolarity that is currently in the making, and strive to understand the consequences, for Europe, of the growing international competition between the great continental powers; we will also reflect upon the need to provide a European response to American disengagement. We will then seek to analyse some of the EU's security and defence mechanisms, drawing attention to areas where Europe relies on external players.

Another interesting aspect examined is the situation of Europe's defence industry in the wake of the most recent international events and member states' initiatives.

Finally, we will try to provide an overview of Europe's current common foreign, security and defence policy scenario, focusing, in particular, on the issue of defence within the existing framework and on the need to reform the Treaties. Rather than a comprehensive analysis covering every aspect of the CSDP and the political and scientific de-

⁴ *Remarks by Executive Vice-President Vestager, High Representative/Vice-President Borrell, and Commissioner Breton at the Press Conference on the European Defence Industrial Strategy and the European Defence Industry Programme*, https://ec.europa.eu/commission/presscorner/detail/en/speech_24_1327; Calcutt, C., *Macron Stands by Remarks about Sending Troops to Ukraine*, Politico, <https://www.politico.eu/article/emmanuel-macron-ukraine-western-troops-remarks>; Nubert, K., *German SPD's Lead EU Candidate Sparks Debate on EU Nuclear Warheads*, Euractiv, 24 February 2024 (updated 16 February 2024), <https://www.euractiv.com/section/elections/news/german-spds-lead-eu-candidate-sparks-debate-on-eu-nuclear-warheads>.

⁵ Pirozzi, N., *A Treaty Change for the European Defence Union*, IAI Commentaries, 21 April 2023, <https://www.iai.it/it/pubblicazioni/treaty-change-european-defence-union>.

bate around it, what is needed is a more in-depth analysis of this area, starting from the need to build a new political and institutional context — something that can be achieved only through serious reform of the EU Treaties.

2. International Relations Since the End of the Cold War

At the end of the Cold War, after the collapse of the bipolar system, the European states found themselves free to pursue their own foreign policy strategies, as long as these were aligned with US priorities. At the same time, Europe lost its strategic centrality, since it was no longer the ultimate theatre of global competition.

The start of the unipolar phase, with the collapse of Soviet hegemony in central Europe and the implosion of the Soviet Union, led to a re-defining of the European continental order. The enlargements of NATO and the European Union were direct results of the power of attraction of, respectively, the prospect of US protection and the advantages offered by the European common market. These enlargements were based on the voluntary adhesion of sovereign states (which perceived a strong threat to their security in a changing and insecure scenario) to two overlapping intergovernmental systems — one, NATO, offering security, and the other, the fledgling EU, promising economic development.

Enlargement of the European Union, coinciding with a long period of attempts to strengthen it internally through reforms (an only partially achievable objective in the absence of a true European centre of power), was the only viable alternative to widespread regional instability and revanchist efforts. The tragedy of Yugoslavia provides an illustration, albeit on a small scale, of the risks that much of the continent faced at that time.

While the USA was strengthening its position as the sole superpower, and imposing a world order within which it was the global provider of security resources and guarantor of the economy and of trade, the Russian Federation, the state that had inherited what was left of Soviet power, was fighting against the risk of implosion.

In this phase, European defence, as a concept, meant nothing more than working to maintain stable relations between states within the US-led international community, and seeking to contain and possibly neutralise potential threats from nearby regional actors.

September 11, 2001, albeit without radically changing the structure of the international system, clearly showed that, in the unipolar world,

the real threats came from state and non-state actors that were excluded from the system.⁶

This was a historical phase in which the Russian Federation positioned itself as a strategic partner of the USA and its allies in President George W. Bush's so-called global war on terror; it was a phase that saw the USA striving, by every means possible, to prolong its supremacy, or rather *hegemony*⁷ as vast sections of the non-European world saw it. Since the end of the Bush presidency, the consequences of his administration's controversial policies in the Middle East have led to a crisis of this American hegemony and to the USA's increasing disengagement from the world's crisis spots. A constant feature of Obama's presidency, for example, was his administration's support for multilateralism, seen as an element helping to foster a sharing of international responsibilities. In this regard, we need only cite the Iranian nuclear negotiations, which saw the United States clearly positioning itself as the facilitator of a political enterprise that also involved other major powers, i.e., China, Russia, the European Union (through the High Representative), in the role of joint guarantors of a general agreement. The US support for multipolarism was also meant to reassure the international community and major regional players that the United States no longer had any intention of acting in ways that would lead to instability. On the contrary, it was clearly the beginning of a trend towards disengagement by the United States which, after two presidencies characterised by an interventionist approach to international relations (those of Clinton and, even more so, of G.W. Bush), was starting to want to share the burden of security in many world regions and in many crisis situations.⁸

The Emergence of a Multipolar International System.

Since the USA took this strategic step back, we have been in a phase of transition towards multipolarism, which will change international life. In this phase, the sphere of international relations is seeing the emergence of continental powers, and the creation of a multipolar international system in which the biggest of these powers are beginning

⁶ Barnett, T.P.M., *War and Peace in the Twenty-First Century*, London, Routledge, 2014.

⁷ Dehio, L., *Gleichgewicht oder Egeonomie*, Krefeld, Scherpe Verlag, 1948, English translation: *The precarious balance: the politics of power in Europe 1494-1945*, London, Chatto & Windus, 1962.

⁸ Gates, R. M. (2010), *Helping Others Defend Themselves: The Future of U.S. Security Assistance*, Foreign Affairs, 89, n.3 (May/June) (2010), pp. 2-6.

to play a role. However, since this system is still in the process of becoming established, the continental powers involved are, for now, still in competition with one another.

It is interesting, from this perspective, to look at how the role of the Russian Federation has evolved following its moment of disillusionment⁹ and the phase of strategic and political decline that, culminating in the crisis of the 1990s and early 2000s, saw it responding to pressure from the Atlantic Alliance by implementing a significant strategic retreat. In the period between then and 2022, it managed to rebuild and modernise its military capacity, and to respond to the crisis of the 2000s by acting in the ex-Soviet world (i.e., Russia's "near abroad") both militarily (through its war of aggression against Georgia) and diplomatically (through its role in the establishment of the CSTO and the Eurasian Economic Union,¹⁰ and its membership of the Shanghai Cooperation Organisation, or "Shanghai Group", and the BRICS group). Its role in the war in Syria was significant, too, as was its intervention in Libya; indeed, Russia's ability to destabilise large parts of Africa¹¹ showed its capacity to act even outside its reference framework, which in turn boosted its aspiration to be a "superpower" and not just a large regional power.

In February 2022, with the start of its war of aggression against Ukraine (which followed its 2014 destabilisation operation), Russia opened a new phase in European history, dealing what is probably a lethal blow to the Helsinki system that has guaranteed peace in Europe since 1975. In so doing, it sent out a clear message regarding both its ambitions and the overall international scenario.

China, on the other hand, took a different approach. After recording uninterrupted growth in the 1980s and 1990s, the new century saw it entering a phase of economic consolidation and beginning to give substance to its strategic ambitions. While, together with the Russian Federation, it had been criticising the unipolar international system since the 1990s, and clearly favoured a multipolar form of organisation of

⁹ Turner, S., *Russia, China and Multipolar World Order: The Danger in the Undefined, Asian Perspective*, 33 n. 1 (2009), pp. 159-184.

¹⁰ Nikitin, A. (2008), *Russian Foreign Policy in the Fragmented Post-Soviet Space*, *International Journal on World Peace*, 25 n. 2 (2008), pp. 7-31.

¹¹ Gopaldas, R., *Will the Invasion of Ukraine Change Russia-Africa Relations?*, Carnegie Endowment for International Peace, 2023, pp. 11-15, <https://carnegieendowment.org/2023/04/26/will-invasion-of-ukraine-change-russia-africa-relations-pub-89596>; Ramani, S., *Russia and China in Africa: Prospective Partners or Asymmetric Rivals?*, South African Institute of International Affairs (SAIIA) Policy Insights, 120, December 2021, <https://saiia.org.za/wp-content/uploads/2021/12/Policy-Insights-120-ramani.pdf>.

international coexistence,¹² from the 2000s it began, mainly by exploiting its soft power, to enter various other contexts.

China, like Russia, certainly supported “alternative” multilateral organisations such as the “Shanghai Group” and the BRICS group, but it also proved capable, again through multilateralist means, of setting up the Belt and Road Initiative,¹³ which has geopolitical ends, an endeavour in which it was helped by a dense diplomatic web stretching from Asia to Europe, and also reaching Africa, as well as by *ad hoc* international organisations, such as the Asian Infrastructure Investments Bank (AIIB).¹⁴

Furthermore, in Africa, Chinese power triggered an extensive investment programme, likely to directly affect the development of countries there,¹⁵ and the creation of the Forum on China-Africa Cooperation (FOCAC), a true *ad hoc* international organisation that, while its main role is to oversee Chinese investments in Africa (in a multilateral context), is also starting to carry out tasks of a military nature, albeit ones linked to supply chains and, therefore, to the market.

It is also interesting to consider the foreign policy line taken by China on the Russian invasion of Ukraine: in its position statement, it seems to acknowledge the intangibility of the borders of sovereign states, but also the admissibility of Russian ambitions.¹⁶ This is an ambiguous position, because while China implicitly recognises (albeit without condemning) the violations committed by Russia, it cannot, partly for domestic reasons, suspend its alliance with its neighbour.

¹² Turner, S., *Russia, China and Multipolar World Order...*, *op. cit.*, pp. 159-184.

¹³ Palermo, C.M., *Belt and Road Initiative, la politica estera cinese e le opportunità per l'Europa*, *Il Federalista*, 60 n. 1 (2018), pp. 43-50.

¹⁴ *Ibidem*.

¹⁵ Shinn D.H., Eisenman, J., *China's Relations with Africa*, New York, Columbia University Press, 2023.

¹⁶ Ministry of Foreign Affairs of the People's Republic of China, *China's Position on the Political Settlement of the Ukraine Crisis*, 2023, https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/202302/t20230224_11030713.html. The same position has been carried by the Chinese diplomacy since the beginning of the Russian invasion of Ukraine. Cfr. Zhang Jun (Chinese Ambassador to the UN) within UN 58th and 59th (AM & PM) General Assembly Meetings, February 23, 2022, <https://press.un.org/en/2022/ga12403.doc.htm>; UN Security Council, 8974th Meeting, SC/14803, February, 23, 2022, <https://press.un.org/en/2022/sc14803.doc.htm>; Ministry of Foreign Affairs of the People's Republic of China, *Remarks by Ambassador Zhang Jun at the Emergency Special Session of the UN General Assembly on Ukraine*, https://www.mfa.gov.cn/eng/wjb_663304/zwjg_665342/zwbld_665378/202203/t20220301_10646521.html; Ministry of Foreign Affairs of the People's Republic of China, *Yang Jiechi Meets with US National Security Advisor Jake Sullivan*, https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/202203/t20220315_10651810.html; Xinhua (Press Agency), *Chinese, Russian FMs hold phone conversation*, <https://english.news.cn/20220224/e5c271a213db463d9e1c97336f1f2399/c.html> (24.02.2022).

These are the key actors involved in the process of transition towards a multipolar order, and they are therefore the ones with the greatest capacity to influence Europe on both a strategic and an economic level. However, other countries — we can cite India, Asian countries like Malaysia and Indonesia, as well as South Africa, Brazil and the Gulf states — are also starting to play important roles, each according to its rank and within its own context of reference, and thus to question the leading role played by the West in the field of international relations. This is an important reality that helps to clarify the nature of the challenges facing Europe in the coming years.

Europe and the Age of Insecurity.

As explained above, we have entered a phase of transition (from the unipolar to a multipolar order) which has consequences for international security. From the perspective of international coexistence, and for the European Union in particular, this situation is therefore a critical issue.

The first consequence is the competition that is arising between the main global powers, which is clearly an element bound to influence international coexistence. We need only think of that which has emerged (between NATO and Russia) in Europe since the outbreak of the conflict in Ukraine, and of the current rivalry between the United States and China in the Pacific.

Another consequence is the growing emergence and consolidation, in different parts of the world, of regional systems, each with its own internal logic and its own international security dynamics, dissociated from global logics.¹⁷ This is a trend that fits in with the phenomenon of international fragmentation.¹⁸ Take what was happening in the Middle East prior to 7 October, 2023, for example, namely the construction of a regional balance of power, based on a “détente” between Saudi Arabia and Iran,¹⁹ supported by Israel, which for its part, through the Abraham Accords,²⁰ was attempting to normalise its relations with the Arab world. And, also, what is happening in South East Asia with the creation of AUKUS, the (essentially anti-Chinese) alliance that has been formed between Australia, the United States, and the United Kingdom.

¹⁷ Buzan, B., Waever, O., *Regions and Powers. The Structure of International Security*, Cambridge, Cambridge University Press, 2003.

¹⁸ Clark, I., *Globalisation and Fragmentation*, Oxford, Oxford University Press, 1997.

¹⁹ Palermo, C.M., *Accordo Arabia Saudita-Iran*, L'Unità Europea, n. 2, (2023).

²⁰ Vakil, S., Quilliam, N., *The Abraham Accords and Israel-UAE Normalization*, Chatham House Research Papers, 2023, <https://www.doi.org/10.5531/79781784135584>.

All this adds up to an evolving situation that the Europeans would do well to monitor closely, not least because of the repercussions that international competition can have on globalisation and international trade relations, which of course are fundamentally important for EU member states.

A third consequence is the tendency to re-arm. Major powers, such as China and the Russian Federation in particular, have stepped up their re-armament programmes; and middle-sized regional powers, too, such as Saudi Arabia, have drastically increased their military capabilities.²¹

These are fundamental aspects of international coexistence that, along with the current international crises (primarily the war in Ukraine, but also the tensions in the Middle East since 7 October 2023), Europe needs to carefully evaluate, both at EU and member state level.

3. Common Security and Defence Policies: Limits and Outlook

In the Saint-Malo declaration, the European Union, following the bloody parenthesis of the wars in Yugoslavia,²² and during the war in Kosovo, affirmed the “need to give the European Union (EU) the capacity for autonomous decision-making and action, backed up by credible military forces.”²³ Since then, Europe has managed to achieve some important objectives in this regard. These include the creation of the European Defence Agency (EDA) and the Political and Security Committee (PSC), and the institutionalisation of the role of High Representative for Foreign Policy and Security, a figure who, since the Treaty of Lisbon, also fulfils that of Vice-President of the Commission.

By the end of 2016, 36 international missions had taken place under the framework of the CSDP (19 in Africa, 7 in the Balkans and 10 in other regions), with the first three (the only completely military ones) proving crucial in stabilising the Balkans area, in line with the commitments made by the Union in the previous decade.²⁴

The other missions were of a civil-military nature, mainly involved civilian personnel, and played a valuable role in meeting peace-enforcement needs in delicate areas such as Somalia, the Democratic Republic

²¹ Dataset SIPRI, *SIPRI Yearbook 2022*, <https://www.sipri.org/yearbook/2022>.

²² Di Nolfo, E., *Storia delle Relazioni Internazionali*, Roma-Bari, Laterza, 2015.

²³ *Franco-British St. Malo Declaration (4 December, 1998)*, https://www.cvce.eu/obj/franco_british_st_malo_declaration_4_december_1998-en-f3cd16fb-fc37-4d52-936f-c8e9bc80f24f.html.

²⁴ Howorth, J., *The European Union's Security and Defence Policy: The Quest for Purpose*, in Hill, C., Smith, M., Vanhoonaeker, S., (eds.) *International Relations of the European Union*, Oxford, Oxford University Press, 2017.

of the Congo, Chad, Palestine (Gaza and the West Bank), Mali and Libya. They were important actions for the stabilisation of these regions, and achieved remarkable results.²⁵ Other important missions were those carried out on the eastern flank of the Union, in Ukraine²⁶ for example, and the EUNAVFOR Med mission, serving to protect maritime traffic.²⁷

However, interventions of this kind cannot meet the complex needs that face Europe in the present, delicate, historical phase: indeed, CSDP missions are conducted pursuant to Article 43(1) TEU, which places specific operational limits on them.²⁸

There may be greater room for manoeuvre in the context of emergencies of a military nature, as envisaged by Article 42 TEU, but two important constraints remain: the first is certainly the need for unanimity, which makes it difficult to reach an agreement between the member states (especially given the prospect of EU enlargement to 35 countries); the second is the question of funding, given that the freedom for manoeuvre within the EU's current institutional framework is not sufficient to allow the funding of a revised common foreign and security policy, adequate to address the priorities imposed by the new historical phase and the new era of European insecurity.

The EU's Dependence on External Actors.

As we have seen in the previous paragraphs, the end of the Cold War forced Europe to review its own strategic structure on the basis of (among other things) the new nature of the international system, which had changed from bipolar to unipolar.

In this new setting, Europe was faced with the effects of the wars in Yugoslavia and the emergence of new transnational threats from non-state actors, as shown by the events of September 11. The most tangible sign of the changing international scenario was the enlargement of the European Union, and even more so of the North Atlantic Alliance.

Within NATO, the armed forces of the European states that were already members of the organisation, and of the former Warsaw Pact countries that had joined it, were forced to restructure and raise their game in

²⁵ Zandee, D., Hoebeke, H., Merket, H., Meijnders, M., *The EU as a security actor in Africa*, Clingendael Monitor, 2016, https://www.clingendael.org/pub/2015/clingendael_monitor_2016_en/2_the_eu_as_a_security_actor_in_africa/.

²⁶ Rieppola, M., *The EU Advisory mission Ukraine: Normative or Strategic Objectives?*, EU Diplomacy Papers, College of Europe, 2017.

²⁷ Cfr. *Operation IRINI*, EUNAVFOR MED Website, <https://www.operationirini.eu>.

²⁸ Cf. Articles 42(1) and 43(1) of the *Consolidated Version of the Treaty on European Union*. https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX_per cent3A12012M_per cent2FTX.

order to be able to cope with the tasks that fell to them in the new scenario: internal security, counter-terrorism, peace enforcement and peace keeping. “Hard” security resources (strategic deterrence, power projection), on the other hand, were provided at low cost by the USA.

However, the difficulties encountered by the USA in various theatres, and the expansion of the area in which it found itself waging its so-called war on terror, led to a turning point.

In the wake of the crisis of the global economic system, Obama’s election in 2008 ushered in a new American administration. The same year also saw the first intervention by Russia’s armed forces outside Russian territory (the invasion of Georgia). This period also brought increasing instability in North Africa and the Middle East (the Arab Spring) and saw China strengthening its position as a challenger in the Asia-Pacific area and potentially as a global hegemon.

During the latter part of the world’s unipolar phase, the emergence of China and Russia coincided with the election to the White House of Donald Trump, who made US disengagement a pillar of his programme.

More recently, the invasion of Ukraine has brought a return of large-scale warfare to the European continent and exposed the fragility of European security mechanisms, which, subordinated to those of the United States, were designed for a system now superseded.

In 2024, Europe is faced with two enormous security challenges that will determine its fate and change the world balance.

The first, given the risk of an end to the strategic convergence between the United States and Europe, concerns the role of the USA as provider of security resources at zero cost to Europe: declarations made at the beginning of the electoral campaign, as well as the experience of the previous Trump administration, raise the very real prospect of a reduction, in various ways, of the USA’s commitment to NATO, which would mean less deterrence and a substantial decrease in the alliance’s operational capacity. Trump has already railed against “criminal” states that benefit from the security resources of NATO, i.e., of the USA, without bearing the financial, human and material costs involved in its activity.

The scenarios that could unfold should Trump win a second mandate and carry out his threats are numerous: we might plausibly see a reduction in the USA’s presence in Europe without formal changes to the organisational framework of the alliance, or alternatively the USA might completely withdraw from the military structure while remaining a member of the alliance (along the lines of the precedent set by France

in 1966 when it withdrew from the NATO Military Command Structure alone). Lastly, an unlikely but not impossible scenario is that of the USA formally rescinding its membership of NATO, a move that would mean the immediate end of the alliance.

In any of the above scenarios, the problem that arises, both for the European states and for the European Union, is how to build a strategic alternative that is credible as a source of deterrence and credible operationally, both in the sphere of international relations and in that of military operations, both conventional and nuclear.

The second security challenge is posed by the alarming pressure exerted by the Russian Federation on neighbouring European countries, especially the Nordic states, the Baltic states and Poland. Several analysts have noted both an increase in Russian forces and in Russia's preparations for a possible conflict involving the Europeans and NATO.²⁹ Specifically, the threat concerns the territorial integrity of the Baltic republics, which are particularly disadvantaged given that, geographically, they are wedged between three pro-Russian territories: the Kaliningrad *oblast*, Belarus and Russia itself.

The likelihood of an attack on Europe's eastern front depends on the progress of the ongoing war in Ukraine and how the political situation in the USA evolves. Nevertheless, Russia, counting on a fragmented response, could potentially decide to take a risk: in the event of an attack on one or more countries, the collective reaction unleashed could be either massive or more limited, and in the event of US disengagement, it would fall to the Europeans to react alone and with their own forces. In this latter eventuality the Europeans would be at a clear disadvantage as their supply lines are extremely scarce, while their arsenals have been emptied to arm Ukraine.

In short, there would be a recurrence of scenarios already widely described by the authors of *The Federalist*³⁰ in relation to the American War of Independence, when the perception of the threat differed greatly between the confederal states, so much so that those geographically distant from the conflict managed to avoid providing the military forces requested by the Continental Congress.

In the case in question, the European Union is clearly an extremely advanced confederation with elements borrowed from other federal

²⁹ Institute for the Study of War, *Russian Offensive Campaign Assessment*, April 4, 2024. <https://understandingwar.org/backgrounders/russian-offensive-campaign-assessment-april-4-2024>.

³⁰ Hamilton, A., Madison, J., Jay, J.; Smith, Goldwin (ed.). *The Federalist*. New York, The Colonial Press, 1901.

unions (e.g., its currency); from a defence point of view, however, it is less cohesive and less organised as the states are already in a defensive alliance with an external hegemonic power, and moreover continue to guard their military sovereignty extremely jealously.

4. The Defence Industry

The strategic autonomy of the EU goes hand in hand with that of its defence industry, and in recent months the largest outbreak of symmetrical warfare on European soil since the end of the Second World War has exposed the inadequacy of our military-industrial system.

A quick look at the figures is enough to confirm this: in 2023 the EU member states collectively produced around 500,000 artillery shells³¹ (mainly 155-mm rounds), however, the International Institute for Strategic Studies³² estimates that Ukraine, depending on its offensive effort, will require between 75,000 and 250,000 per month in 2024. These are numbers typical of a high-intensity conflict, and are more than sufficient to ensure that the ammunition supplies of a country like France “would not last more than a few weeks” according to the Assemblée Nationale’s National Defence and Armed Forces Committee.³³ Such a level of unpreparedness, which extends beyond the volume of artillery shells, is the result of protracted and systematic delegation of European security policy to the United States of America. Furthermore, the end of the Cold War and more than two decades of asymmetrical conflicts have led to a change in most NATO countries’ engagement doctrines: no contingent in Afghanistan or Iraq has ever needed large volumes of artillery munitions, to fight off other MBTs or to defend against cruise missiles and drones. Consequently, no one has ever thought about preparing for a symmetrical conflict in which the forces in the field possess comparable numbers and technologies.

To complete the picture, there has been, and continues to be, a complete aversion among much of the European political class to the devel-

³¹ Deutsch, A., Lopakta, J., *Inside Europe’s Drive to Get Ammunition to Ukraine as Russia Advances*, <https://www.reuters.com/world/europe/inside-europes-drive-get-ammunition-ukraine-russia-advances-2024-03-06>.

³² Gady, F.-S., Kofman, N., *Making Attrition Work: A Viable Theory of Victory for Ukraine*, *Survival*, 66 No. 1 (2024), pp. 7-24, International Institute for Strategic Studies, <https://www.iiss.org/globalassets/media-library---content-migration/files/online-analysis/survival-online/2024/01/66-1-gady-and-kofman.pdf>.

³³ Pietralunga, C., *French Military Lacks Ammunition for High-Intensity Conflict*, *Le Monde*, 23 April 2024, https://www.lemonde.fr/en/politics/article/2023/02/18/french-military-lacks-ammunition-for-high-intensity-conflict_6016329_5.html.

opment of a defence culture, and this is especially true in Italy. Indeed, how can we fail to mention the first renderings of the Italian navy's new multipurpose offshore patrol vessels (PPAs). At the time of the approval of the 2014 Naval Programme, these 4,500-ton warships (empty weight) had Red Cross containers attached to their sides. Why? As a way of convincing our political decision-makers that second-line frigates like these are primarily instruments for assisting civilian populations in the event of natural disasters,³⁴ albeit ones also equipped for warfare.

The legacy that this whole historical and political context has left us is a fragmented European defence industry, inefficient and prey to the most vulgar nationalisms. The EU Commission's new strategy for the European defence industry (March 2024) is an excellent starting point for efforts to understand what is not working, and what needs to be done to prepare the member states to build a deterrence that is credible, at least in technological and production terms.

The EU certainly does not lack an industrial base, quite the contrary. Its problem is the chronic lack of cooperation when it comes to developing new equipment, together with the modest size of the companies operating in the sector. None of the top ten manufacturers of weapon systems in the world is European³⁵ (apart from Britain's BAE Systems), and whenever any attempt is made to merge the realities of different member states to better compete with the American and Chinese giants, the usual national selfishness almost always prevails. The failed merger between Fincantieri and STX Europe (now Chantiers de l'Atlantique), two of the three largest European shipyards, is a case in point. Basically, having nationalised STX in 2017, in 2021 the French government, following protracted and difficult negotiations, decided to scupper the agreement, simply to keep its national flagbearer out of Italian clutches.³⁶ This therefore put paid to the opportunity to create, by concentrating know-how, assets (such as STX's vast dry docks) and capital, a potentially global player. In view of the numerous choices of this kind, dictated by nationalism (and numerous bureaucratic barriers),

³⁴ Ministero della Difesa, Marina militare, *Programma navale 2014*, https://www.marina.difesa.it/noi-siamo-la-marina/mezzi/nuoviprogetti/Pagine/programma_navale.aspx.

³⁵ Stockholm International Peace Research Institute, *The SIPRI Top 100 Arms-Producing and Military Services Companies in the World, 2022*, <https://www.sipri.org/visualizations/2023/sipri-top-100-arms-producing-and-military-services-companies-world-2022>.

³⁶ Zanon, M., *Ai cantieri di Saint-Nazaire non vogliono più gli italiani*, Il Foglio, 29 December 2020, <https://www.ilfoglio.it/esteri/2020/12/29/news/ai-cantieri-di-saint-nazaire-non-vogliono-piu-gli-italiani-1608837/>.

we should not be surprised to find that only 18 per cent of investments in new equipment in the EU between 2021 and 2022 were collaborative efforts.³⁷ Even more masochistic is the lack of cooperation in the development of new weapon systems, even in the face of similar requirements, as exemplified by the dualism between the GCAP³⁸ (Global Combat Air Programme) and FCAS³⁹ (Future Combat Air System) programmes. Over the next 10/15 years, Europe's main air forces (those of France, Germany, Italy and Spain) will need to replace their advanced fourth-generation fighter planes (Eurofighter Typhoons, in the case of Italy, Germany and Spain, and France's Dassault Rafale aircraft) with sixth-generation aircraft. Developing such a weapon system is fundamental to maintaining technological superiority over China and Russia, and, being extraordinarily expensive and complex, it requires the combined resources and know-how of multiple countries. In developing a sixth-generation fighter it is advisable to have on board a country, such as Italy, extensively involved in the F-35 programme (the only fifth-generation Western fighter assembled outside the USA), in order to more easily bridge the gap between the fourth and sixth generations. Instead, France, Spain and Germany have decided to proceed with the FCAS, while Italy is participating in the GCAP alongside the United Kingdom and Japan, also countries with a wealth of significant experience with fifth-generation planes (the F-35 and the Japanese F-X). It goes without saying that the FCAS's prospects of success are not particularly great.

This fragmentation, exacerbated by the lower technological level achieved and the duplication of weapon systems, also leads to lower output compared with what is produced by American and Asian counterparts, which means high costs per unit and long delivery times. This applies to almost all weapon systems and ammunition made in the EU. The result of all this? Between the time of Russia's invasion of Ukraine and June 2023, more than 75 per cent of military equipment purchases by EU member states were made outside the Union (and of these, 63 per cent were made in the United States).⁴⁰ With a further high-intensity symmetrical conflict in Europe now a real possibility, it is hardly

³⁷ Besch, S., *Understanding the EU's New Defense Industrial Strategy*, Carnegie Endowment for International Peace, 8 March 2024, <https://carnegieendowment.org/2024/03/08/understanding-eu-s-new-defense-industrial-strategy-pub-91937>.

³⁸ *An ambitious timetable to deliver the newest world's fighter jet*, Financial Times, <https://www.ft.com/content/aca4f3f0-f9bd-4d96-9928-febb13da6513>.

³⁹ Airbus, *Future Combat Air System (FCAS)*, <https://www.airbus.com/en/products-services/defence/multi-domain-superiority/future-combat-air-system-fcas>.

⁴⁰ Besch, S., *Understanding the EU's New Defense Industrial Strategy*, *op. cit.*

surprising that a country like Poland prefers to rely on the United States and South Korea, rather than risk becoming caught up in European industrial inefficiencies.

The EU Commission's strategy aims to increase the capabilities of the European defence industry through collaborative investment, research, development, production and procurement within the Union. Indeed, according to the strategy, member states should start buying weapons together, and above all should do so in Europe: by 2030 at least 50 per cent of the member states' budget for purchasing military equipment (rising to 60 per cent by 2035) will have to go to EU-based suppliers, and at least 40 per cent of purchases will have to be collaborative ones.⁴¹ In concrete terms, the Commission wants to implement a new mechanism for European military acquisitions, inspired by the Foreign Military Sales (FMS) programme⁴² through which Washington concludes contracts directly with other governments. Obviously, the United Kingdom is excluded from the equation, to the delight of the leaders of the GCAP and the Italian company Leonardo, which has a strong presence in the UK.

The strategy, however, runs into several problems. First, the laughable 1.5-billion-euro budget (linked to the European Defence Fund) that, moreover, depends on negotiations between the EU parliament and the member states, which are already making noises about Commission interference liable to undermine their national sovereignty, in a delicate area like defence to boot. In short, the Commission's wishes appear to be incompatible with the intergovernmental model and its usual limits, and while this continues to be the case the European defence industry will continue to suffer.

4. Defence: Europe's Institutional Framework

Strategic Autonomy.

The defence of the Union (as an organisation) plus that of the member states does not equal European defence.

In past decades, any "defence" initiative formulated by the states, and in rare cases carried through to completion, was not really designed to defend Europe, only to contribute to a system in which security was already guaranteed from the outside.

⁴¹ *Ibidem*.

⁴² Defense Security Cooperation Agency, *Foreign Military Sales (FMS)*, <https://www.dsca.mil/foreign-military-sales-fms>.

Such initiatives, limited in both their means and their ambitions, arose at a time when general security was guaranteed by the unipolar hegemon; in this setting, Russia, rather than a competitor, acted as a severe but generous partner, and the threats to be dealt with were acts of terrorism and minor crises. For this reason, the military interventions carried out were peace-enforcement, peace-keeping, and international policing operations.

The military missions carried out abroad by member states (notably France, the United Kingdom, Italy and Spain) were essentially circumscribed security missions, complementary to other multilateral missions conducted under the aegis of the European Union or NATO, or to other multilateral collaborations. And for the states involved, they took the place of true foreign policies. The stabilisation missions in the region of the former Yugoslavia were all possible only because they were conducted in a framework created by the massive intervention of the hegemonic player.

All the tools available to the Union, theoretically usable once the obstacle of the necessary unanimous vote in the Council has been overcome, are obsolete; they are also insufficient, both quantitatively and qualitatively, in the face of the growing risk of a large-scale war (conventional, hybrid and nuclear) that is threatening, in different ways, both the member states and the very stability of the Union.

The 12,000-strong European Rapid Operational Force (EUROFOR), created in 1995 and decommissioned in 2012 since it lacked the necessary numbers — the 1999 NATO mission in Kosovo required 60,000 personnel — and logistical support, would not have been able to fulfil, on its own, the peace-enforcement and peace-keeping tasks assigned to it under its mandate.⁴³

The EU's European Battlegroups, created along the lines of the similar integrated resources that exist within NATO, were designed to fulfil specific military tasks that, in the future, the Council might identify for them. However, it is important to appreciate that the type of engagement of forces of this kind depends on the fact that they are made available by a coalition within an interstate cooperation framework, and also on the EU's political and strategic accehphaly.

The Military Staff of the European Union (EUMS) was formally created under the 2003 Treaty of Nice by modifying structures previously created within the WEU (Western European Union). The EUMS

⁴³ Clementi, M., *L'Europa e il mondo. La politica estera, di sicurezza e di difesa europea*, Bologna, Il Mulino, 2004.

is an imitation of the General Staff of NATO, although the EU lacks the latter's dimensions (in terms of resources and personnel) and political leadership.

For European states, defence policy is actually something that is developed and implemented within the Atlantic Alliance, a context in which they assume responsibilities individually and not as members of the European Union. Various initiatives within NATO or multilateral frameworks derive their strength both from the voluntary political commitment of the participating states and from the readiness of the latter to fulfil the commitments they have made. But in a hypothetical scenario where there is a threat to the foundations of the existence of just one Alliance member state, it is unrealistic to imagine that the goodwill of the less threatened allies can be counted upon.

As things currently stand, the Europeans are lacking in various areas, in which, therefore, they rely directly on their main partner/ally, the USA, and to a lesser extent on other actors, such as Asian countries (for supplies of electronic equipment and components) or the Gulf states (for energy supplies).

Although the EU is abreast of other players as regards its ability to transport goods and people within its own territory, and has important global trade hubs, it is dramatically lacking in terms of its ability to move large military units, deploy them to theatres of operations, and supply them for the time necessary to complete missions. The contribution of the USA, in both substantial (means and infrastructure) and organisational (command) terms, is fundamental. Even for limited interventions conducted in circumscribed areas at the heart of Europe (Bosnia, Kosovo, Macedonia), US resources were fundamental both in starting and in completing the operations.

Another vital issue for Europe (be this taken to mean the Union, the common market, or the member states) is the protection of its maritime supply and trade routes. The blockage of the Suez Canal in 2021 and the problems of political instability and piracy in the Red Sea and around the Horn of Africa show just how vulnerable the European economy, because of its dependence on shipping, really is.

Currently, even the protection of European maritime zones, although entrusted to member states, is partially coordinated within the framework of NATO. For example, the EUNAVFOR Aspides naval mission,⁴⁴ promoted by the EU, which rightly considers the security

⁴⁴ Cf. EEAS, Operation Aspides mission page, https://www.eeas.europa.eu/eeas/eunavfor-operation-aspiden_en.

of the maritime routes in the Red Sea to be crucial, is possible only because of the presence in the area of the multilateral US-led Prosperity Guardian mission, in which some of the units linked to EUNAVFOR Aspides are involved. The EU-led mission nevertheless has its own units and command structure pursuing its own military goals.

Were the United States of America to decide, unilaterally and in accordance with its own *raison d'état*, to move the permanently stationed naval forces currently protecting Europe to Asia, the Europeans would immediately be deprived of a formidable instrument of protection and projection of power, which cannot be replaced simply by pooling the forces of the national navies, conceived to protect the single national interest or to be implemented in a multilateral context, complementary to the forces of the Atlantic Alliance.

Today, post Brexit, only one European state is equipped with strategic nuclear submarines (four operational) and only two with aircraft carriers. If we consider the different US fleets and the structure of the US Navy's battlegroups, which are built around aircraft carriers, the comparison with Europe's resources is stark.

As clearly illustrated by the ongoing situation in Ukraine, there are certain resources that, being crucial in guaranteeing the maintenance of an organised political community and in safeguarding the lives of citizens, are particularly vulnerable to attack. Energy infrastructures and communication infrastructures are fundamental and must be protected as an absolute priority in order to guarantee the functioning of other systems. Europe's peacetime policies are underpowered to protect these fundamental resources, and the EU has no tools with which to defend itself in times of war. Under the Treaty on European Union, it is the states themselves that are responsible for the defence of their territory, while other spaces, such as outer space, are left for civilian use or for initiatives by individual states. In this regard, both the Americans and their adversaries, namely the Russians and the Chinese, are showing more foresight. Recognising the inevitability of the militarisation of space, they are all endeavouring to adopt adequate tools.

Over the past 25 years, the United States has invested heavily in military command, control, communications and intelligence (C3I), a dimension in which the Europeans have no significant role to play. Today, the interception centres, satellite control centres and satellite networks are all the prerogative of the United States, possibly in collaboration with its allies (Great Britain, Australia). Moreover, there is a lack of autonomous European structures for data collection and processing, not to mention a

fragmentation of intelligence between Europe's various member states.

Contemporary war scenarios, characterised by a high rate of digitalisation and automation, are particularly unfavourable for the Europeans, who, in this sphere too, are wholly ill equipped to defend themselves.

The Need for Institutional Reform.

Time and the international context are working against the Europeans. In the event of a major crisis, the only tools at their disposal are the traditional ones of the member states and their system of alliances, since defence powers and resources are still entirely in the hands of the states, with all the drawbacks that this entails.

The creation of alternative instruments will require a change, partial or complete, to the institutional structure of the Union.

A parliamentary working group of the German Social Democratic Party (SPD) proposed creating what has been dubbed the 28th army,⁴⁵ i.e., a limited military instrument, independent of the states' armed forces and subject to the orders of the Commission under the political control of the European Parliament; yet even this proposal, which has become a dead letter, would not be achievable without changes to the Treaties.

The question that must be addressed if we are to overcome all the challenges to the collective security of the continent is therefore the institutional one, otherwise any proposed solution will continue to face insurmountable obstacles.

Paradoxically, instead of immediately creating a so-called European army, parallel to the national ones but with no political leadership or own resources, a European Union equipped with federal instruments, such as a government with political power, democratic accountability and fiscal leverage, could efficiently direct the armed forces of the 27 member states during the phase of transition towards the construction of a unified defence system.

Clearly, the question of how, in detail, a hypothetical European defence system might be structured goes beyond the scope of this text. However, since it is closely linked to the reform of the Treaties and the issues that emerged in the final report of the Conference on the Future of Europe, the theme of defence must be made part of the debate to be conducted by future Convention envisaged by Article 48 of the TEU.

⁴⁵ AG Sicherheits- und Verteidigungspolitik SPD-Bundestagsfraktion, *Diskussionspapier 28. Armee*, Berlin, 06.10.2020 https://augengeradeaus.net/wp-content/uploads/2020/11/20201006_SPD-AGSV_Diskussionspapier_28Armee.pdf.

Conclusions

The EU faces a political scenario heavily conditioned by European insecurity, and it needs, more urgently today than at previous junctures, to provide autonomously for its own security.

Alongside the ongoing war in Ukraine, with the need to support the Ukrainian effort both politically and militarily, there remain the consequences of other crises, starting with the tensions in the Middle East and the Gulf of Aden. The difficulties, however, are not confined to evaluation of the regional context, but also concern the technical capabilities of the European Union and the individual member states in the field of defence.

Nationalisms and national interests have conditioned the military capabilities of the European Union and significantly limited the interoperability of its weapon systems. Even though the Union has equipped itself with potentially useful instruments such as the EDF,⁴⁶ the inclination to jointly develop military technologies has been far lower than expected, leaving the European states in a position of extraordinary weakness, both in the framework of international coexistence, and in that of regional challenges, ranging from Ukraine's survival to the issue of supply chain security.

Deterrence is another open topic. Indeed, the issue of strategic autonomy and deterrence has returned to the fore for two reasons: the end of the era in which security was linked to disarmament treaties, and now the ongoing conflict with a nuclear power. In the wake of Brexit, France is the only EU member state with its own nuclear capacity, while others participate in nuclear sharing programmes with the USA. The scenarios that are opening up today are making it essential to reflect upon the question of an autonomous European deterrent and on the sovereign control of such a device.

The institutional reforms needed to allow the Union to equip itself with credible security tools go beyond the sphere of intergovernmental coordination or the community method as they touch on issues of sovereignty, namely legitimacy, coercive power and fiscal power, which are the very foundations of statehood. To achieve this objective, it is essential to move towards a change in the Treaties that addresses the issues raised by the emerging international context, as well as the need (especially now that we no longer have the certainties of the Cold War period and the era of American unipolarity) to ensure real political guidance of Europe's foreign and security policy.

⁴⁶ *European Defence Fund.*

Viewpoints

THE CONTRIBUTIONS OF GIORGIO NAPOLITANO AND THE EUROPEAN PARLIAMENT TO THE EUROPEAN CONVENTION OF 2002–2003*

Thank you for the invitation to this conference, which gives me the opportunity to recall, briefly, the contributions made by Giorgio Napolitano and by the European Parliament to the 2002–2003 European Convention that drafted the Treaty establishing a Constitution for Europe, subsequently signed in Rome on 29 October, 2004.

Having been fortunate enough to know both men, I wish to begin by saying a few words about the relationship between Giorgio Napolitano and Altiero Spinelli. There was never anything fideistic or sentimental about Napolitano's admiration for Altiero Spinelli, or about his support for the values of the European integration project. His support for these values was, on the contrary, always rational, rather like the thinking of Spinelli himself when he chose to criticise communist doctrine and leave the PCI (Italian Communist Party) because they conflicted with his values and did not allow him freedom of thought. Although Giorgio Napolitano remained a member of the PCI, he, like Spinelli, followed a path that led him to acknowledge the core values of freedom and civilisation that are the basis both of European history and of the European federal integration project. I like to think that Giorgio Napolitano's admiration for Altiero was also born

* This text is based on an address given at the conference *Giorgio Napolitano e la democrazia parlamentare europea. Visioni e testimonianze* (Giorgio Napolitano and European Parliamentary Democracy. Visions and testimony) held by the Movimento Europeo Italia at the Senate in Rome on Thursday, 22 February, 2024. The recording of the conference can be accessed at: <https://www.radioradicale.it/scheda/721484/giorgio-napolitano-e-la-democrazia-parlamentare-europea-visioni-e-testimonianze>. The present address begins at minute 2h 56'.

Paolo Ponzano was Alternate Member of the European Convention in 2002/2003.

of the fact that Spinelli, unlike other ex-communists, never assumed visceral anti-communist positions, but rather remained faithful to the values fundamental to European socialism: solidarity and the defence of social rights.

Other speakers have already recalled how Giorgio Napolitano, despite not being a member of the European Parliament's delegation, participated actively in the work of the European Convention chaired by Valéry Giscard d'Estaing, sending personal messages and informal documents in support of efforts to provide the European Union with a Constitution or a constitution-like text. Essentially, Napolitano, together with parliamentarians including Alain Lamassoure, Andrew Duff and Mendes de Vigo, strove to defend the Community or constituent method that was the framework for the action of European parliamentarians.

The main outcomes of their efforts were:

1) extension of the European Union's competences to judicial cooperation and to the new so-called support competences: this outcome was reached thanks to the opposition of the members of the parliamentary delegation to the attempts, in particular by some British members of the Convention to reduce the EU's competences;

2) retention of the European Commission's right of legislative initiative in return for annual and multiannual legislative programming that would allow the European Parliament to express its opinion on the Commission's legislative programme (see article 17 of the Treaty);

3) maintenance of the European Commission's executive powers, providing adoption of the so-called delegated decrees that modified pre-existing European laws be subject to the tacit or express agreement of the European Parliament;

4) rejection of a "second" legislative chamber of national parliaments — this solution had been requested in particular by the British representatives — in exchange for the creation of a procedure for monitoring the principle of subsidiarity, as proposed by Mendes de Vigo in the working group on national parliaments.

The European Convention, in the initial stages of its work, moved in an innovative and substantially constituent direction. Towards the end, however, this work unfortunately took an intergovernmental turn which had the effect of turning the whole Convention into a de facto intergovernmental conference. To illustrate its ultimately IGC-like approach, I will simply recall how the creation of a permanent President of the European Council, proposed by the large member states, was, in the end, rejected in favour of a reduction of the number

of European Commissioners, providing these be chosen on a rotating basis from among all the member states, as requested by the small ones. Furthermore, in the last two sessions of the Convention, its members (the majority) in favour of an extension of majority voting to the areas of foreign policy, taxation, social policy (in part) and the future revision of certain Treaty provisions were opposed and defeated by the German and French members with their request to introduce unanimity voting for, respectively, the setting of migrant quotas and the conclusion of trade agreements that could harm cultural diversity.

Should a new convention to revise the Treaty of Lisbon ever be called, it will be necessary to ensure at all costs that the innovative and substantially constituent method that prevailed at the start of the Giscardian one is not replaced by the IGC-type approach that characterised its work at the end.

Paolo Ponzano

Perspectives on Federalism in the World

ISSUES FOR THE DEVELOPMENT OF A THEORY OF WORLD FEDERALISM*

Introduction.

The global strengthening of interdependence in extension,¹ a process frequently referred to simply as globalisation, has fuelled a broad debate, both in the academic world and within federalist organisations, on concepts such as interdependence, global governance, cosmopolitan democracy and world federalism. This debate has often thrown up more questions than it has managed to answer, and the present essay is no exception, aiming as it does to trace an agenda for research and reflection on the type of theoretical contribution that the European Federalist Movement (MFE) and the Italian federalist tradition might try to make to world federalism, starting from the reflections of Spinelli and Albertini. Basically, I will try to outline what the MFE could add to the debate on world federalism, in the light of the contributions it has already made to European federalism.²

* This essay is a reworking of the reports held at the meetings of the MFE Debate Office in Genoa in 2022 and in Palermo in 2009.

¹ On the distinction between interdependence in depth and in extension, cf. M. Albertini, *L'«utopia»* by Adriano Olivetti, *Comunità*, 19 n. 131 (1965), now also available in Id. (N. Mosconi ed.), *Tutti gli scritti*, V 1965-1970, Bologna, Il Mulino, 2008, p.116, http://www.fondazionealbertini.org/sito/albertini/vol_v/V-1965-19-L'utopia%20di%20Olivetti.pdf; and in French in, *L'«utopie» d'Olivetti*, *Le Fédéraliste*, 7, n. 2 (1965), https://www.thefederalist.eu/site/index.php?option=com_content&view=article&id=1152&lang=fr.

² Also important in this regard, in addition to the action and writings of Altiero Spinelli, is the history of the political review *The Federalist* and the works of Mario Albertini, entirely available in M. Albertini (N. Mosconi ed.), *Tutti gli scritti*, voll. I-IX, Bologna, Il Mulino, 2006-2010, http://www.fondazionealbertini.org/sito/index.php?option=com_content&view=article&id=6&Itemid=105. For a reconstruction, cf. R. Castaldi, *A federalist framework theory of European integration*, Turin, Centro Studi sul Federalismo, 2005, now available at <https://www.iris.sssup.it/retrieve/handle/11382/307092/1123/A%20Federalist%20Framework%20Theory%20of%20European%20Integration.pdf>.

The theoretical consciousness that runs through the corpus of European federalism stems from the MFE's development of a theory of federalism understood as active political thought³ (Albertini uses the expression *ideology* even though, in the social sciences, *utopia* would be the more correct term, considering that Mannheim and Ricoeur define *utopias* as political philosophies that aim to modify the existing order, whereas *ideologies* are political philosophies intended to legitimise and thus consolidate the existing order).⁴ The MFE's theory is split into two parallel strands: a normative/prescriptive theory on European federation and an analytical/descriptive one on the process of European unification. The purpose of the latter was to identify the scope for action and, on this basis, the federalists' role (of *initiative*) and the strategy (*constitutional gradualism*) needed to achieve the European federation. Over the years, this has made it possible to reflect specifically upon the organisational models best suited to the role of initiative and the pursuit of the European federation, while at the same time encouraging specific analysis of the organisational forms best suited to the type of role and type of action of organised federalism.

Before attempting to make a similar contribution in relation to world federalism, we must first consider a series of questions, specifically: the institutional model of the future world federation; the characteristics of the process of global unification, as well as the conditions that might allow it to advance and the best strategy to further this objective; and the federalists' role, looking at what needs to be (and can be) done to move in this direction starting from the current situation, and ultimately therefore, at how we might organise ourselves to this end.

Debate on European unification is now extremely widespread, and support for the federalist position is increasing also among scholars outside the MFE, who are even becoming a point of reference for the Movement. For this reason, the MFE, finding that its contribution in terms of theoretical elaboration is becoming progressively less innova-

³ Cf., in particular, M. Albertini, *Il Federalismo*, Milan, Giuffrè 1963, now also available in Id. (N. Mosconi ed.), *Tutti gli scritti, IV 1962-1964*, Bologna, Il Mulino, http://www.fondazionealbertini.org/sito/albertini/vol_iv/IV-1963-22-Verso%20una%20teoria%20positiva%20ecc.pdf, and, on the basis of this fundamental work, the subsequent theoretical development of the Italian federalist tradition, including L. Levi, *Il federalismo*, Milan, Angeli, 1987, and Id., *Il pensiero federalista*, Rome-Bari, Laterza, 2002; G. Montani, *Il federalismo, l'Europa e il mondo*, Manduria, Lacaita, 1999.

⁴ For an analysis of this perspective with reference to federalism, cf. R. Castaldi, *Federalism and Material Interdependence*, Milan, Giuffrè, 2008, chapter 1, and G. Montani, *Ideologia, economia e politica. Il federalismo sovranazionale come pensiero emergente*, Pavia, Pavia University Press, 2019, especially chapter 1.

tive and more mainstream, is now focusing, at European level, on re-affirming the key aspects of the federalist tradition. At global level, on the other hand, there is still scope for theoretical elaboration by the MFE. Indeed, considering that the concepts of world federalism and global democracy have, to date, been the focus of relatively little theoretical debate, and also that world federalism has a poorly developed theoretical consciousness and lacks adequate analytical and normative theories, the MFE, by developing such theories, could make a major contribution. In parallel, it could also contribute to defining the future foreign policy of the EU and to reshaping and updating the federalist arguments for the completion of European unification as part of a process destined to culminate, eventually, in global unification, in line with the “uniting Europe to unite the world” objective that the MFE has espoused ever since the Bari Congress of 1980.

1. *World Federalism as Active Political Thought.*

In working out his definition of federalism, Albertini suggested that it corresponds to a theory of active political thought based on three different components: a core value around which to mobilise efforts to change the existing order; an institutional structure designed to afford this core value structural protection, by introducing new institutional elements that do indeed modify the existing order; and a historical-social perspective that identifies the macro-conditions in which all this becomes possible, and that can thus drive mobilisation by showing that the process of change can already be moved forward in the desired direction.⁵

Albertini identified peace as the core value of federalism, making it clear that federalism, by definition therefore, can only be global; he identified the federation as the institutional structure, and the overcoming of the world’s division into antagonistic nations and classes as the historical-social perspective. The fact that the latter is, in different respects, the least theoretically developed of these components has implications for the debate on world federalism.

Although peace is undoubtedly the value that kickstarted the process of European integration, a theory of world federalism today would also have to take into account various aspects of the management of global interdependence, and include solutions to the other global problems on which humankind’s survival depends. Accordingly, it would

⁵ Cf. M. Albertini, *Il Federalismo*, *op. cit.* and, for an analysis, R. Castaldi, *Federalism and Material Interdependence*, *op. cit.*, chapter 1.

have to combine peace with additional values: environmental protection, the fight against climate change, and the proper management of the raw materials, energy sources, water and food resources essential for the survival both of humankind and of the Earth's other species.⁶

Above all, it is the institutional structure and historical-social aspects that still need to be adequately theorised in world federalism terms. This could possibly be because we lack the conditions necessary for federative processes at world level — to establish this we would first need to have an analysis of the nature of these conditions —, or it could simply be due to a theoretical gap needing to be filled. Indeed, until the institutional model for the future world federation is adequately theorised, it remains impossible even just to identify a viable strategy, be this a gradual approach or constitutional gradualism. After all, there are different ways to reach a goal, but you first need to know exactly what the goal is! Moreover, the structural aspect of world federalism, meaning the regulatory framework, is still not completely defined.

What should/could the institutional model of the world federation be? The federal construct rests on the concept of dual representation: of the citizens and of the member states. With the global population distributed as it is today, China and India alone would have a huge role in a hypothetical world parliament, holding over 35% of the seats in the chamber representing the citizens of the world federation. To most of the world's states and citizens, this prospect would be unacceptable, also because China is not a democracy. To an extent, similar considerations might apply to other regional integrations or other federations, such as those in the ex-Soviet area and some parts of Asia and Africa, for example, in which there are some geographically limited regional entities with an even greater level of integration than the Organisation of African Unity.

From this point of view, then, even the creation of regional integrations as an intermediate institutional step towards world federation would not be, in the short term, an adequate solution. In fact, with the sense of belonging to and/or of political identification with the new entities bound to take some time to develop — assuming this to be desirable —, and for as long as the national identities continue to be the dominant ones, any perceived disparities will continue to derive from comparisons made between states, such as China compared with Italy

⁶ For a reflection in this sense, cf. G. Montani, *Ecologia e federalismo: la politica, la natura e il futuro della specie umana*, Ventotene, Istituto di studi federalisti Altiero Spinelli, 2004, available at <https://www.istitutospinelli.it/download/ecologia-e-federalismo/>.

(or some other nation state), rather than between states and regional integrations, such as China and the EU or the African Union. On the other hand, the abandonment of dual representation and/or the introduction of forms of weighted voting based on exclusively or predominantly economic factors, such as GDP, would obviously be a serious backward step for democratic theory, for recognition of the moral value of individuals, and for human emancipation. It could be that the federal unification of humankind needs to assume forms that diverge markedly from the traditional federal state model, and will lead us ever closer to a radical revision of the concepts of state and sovereignty.⁷

Evaluation of the form of government possible in a world federation, whose heterogeneity will be a multiple of that attained in any of the current federations, including the continental ones, is a process still in its early stages.

At EU level, too, this is the aspect that has been least explored, and also the one on which there is least convergence of views, given the existence of at least three possible solutions: parliamentary, achievable by transforming the Commission into a proper government accountable to the European Parliament; presidential, achievable by merging the Commission and Council presidencies into a single presidency of the Union, directly elected by the European citizens; and semi-presidential-associative, achievable by installing the Commission as the parliamentary government responsible for the economy, and, after first abolishing unanimity voting, assigning the European Council the collegiate presidency of the EU with responsibility for foreign and defence policy.⁸

Moreover, all this brings into play the question of sovereignty, which is not a material object but a concept, an abstraction, a social idea — in other words, whatever people believe it to be. Specifically, it is a utopia/ideology,⁹ more accurately an ideology, hastily created in order to replace religion as the necessary justification for the existence of ab-

⁷ Cf. R. Marchetti, *Democrazia globale*, Milan, Vita e pensiero, 2008.

⁸ Cf. in this regard, L. Levi, *Which Form of Government for the European Union?*, Ventotene, Altiero Spinelli Institute, 2010, <https://www.istitutospinelli.it/download/english-en6-which-form-of-government-for-the-eu/>.

⁹ In the social sciences, utopia is a political philosophy that seeks to modify the existing order by exposing its defects and proposing an alternative order. Ideology is a political philosophy that fundamentally legitimises the existing order, while hoping for marginal improvements (for a classic treatment of the topic, see K. Mannheim, *Ideology and Utopia*, London, Routledge & Kegan, 1953; and P. Ricour, *Lectures on Ideology and Utopia*, New York, Columbia University Press, 1986 (Italian translation, *Conferenze su ideologia e utopia*, Milan, Jaca Book, 1994.). Almost all political philosophies have had a utopian phase and, having reached their essential institutional objectives, have entered an ideological phase: R. Castaldi, *Federalism and Material Interdependence*, *op. cit.*.

solutist states. In other words, it is an idea that has been translated into institutional terms. Over time, however, both the institutions and the idea have changed, and they could do so again. What this means is that sovereignty is a polysemous concept that must be broken down in order to establish what we still need and what we do not, and which elements we feel would be worth enhancing and which should be dropped in order to facilitate the creation of a European, and then a global, federation.

Sovereignty has been assigned different meanings, for example: a monopoly on legitimate force (Elias, let us recall, highlighted the indissoluble link between military and fiscal monopoly);¹⁰ actual decision-making power ultimately recognised as legitimate; the *kompetenz-kompetenz* principle in federal states; the espousal, vis-à-vis other entities, of the *superiorem non recognoscens* principle. These four are, of course, very different meanings, and some of them have clearly been superseded by actual political processes.

The EU, although not yet a federation, has changed the concept of sovereignty for its member states.¹¹ This is reflected in some of its federal characteristics: the prevalence and direct applicability of Community law — how can we forget the importance attached by Hamilton to this aspect? —, the supremacy of the Court of Justice when it comes to interpreting the provisions of the Treaties including those relating to competences, as shown by the doctrine of implied powers; and the ultimate decision-making power within the fields, today mainly the economic and monetary ones, in which the EU has exclusive competence. Actually, at least two of the four meanings previously listed are *de facto* already superseded in the European Union.

But what idea of sovereignty is, or should be, espoused by federalists? In this regard, there are at least three positions to consider. For federalists belonging to the Anglo-Saxon tradition, sovereignty is neither necessary for, nor useful to, federalism. Wheare, in fact, does not use the term “sovereignty” in his classic treatise *On Federal Government*. Even *The Federalist* rarely uses the concept. Federalism is a theory that hinges on the existence of multiple levels of government and multiple independent and coordinated legal systems, and it is therefore against both the monism of the nation state and the very idea of sovereignty. Italian federalist tradition, on the other hand, has generally looked to

¹⁰ Cf. N. Elias, *Potere e civiltà. Il processo di civilizzazione*, vol. II, Bologna, Il Mulino, 1983.

¹¹ Cf. R. Keohane, *Hobbes's Dilemma and Institutional Change in World Politics: Sovereignty in International Society* (1995), today in *Power and Governance in a Partially Globalized World*, London and New York, Routledge, 2002, p. 72 ff..

an absolutely monist conception of sovereignty drawn from continental European political philosophy, seeking formulas that might allow it to be adapted to a federalist theoretical framework. Lucio Levi suggests that sovereignty in a federation should be attributed neither to the federal government nor to the federated governments, but rather to the federation as a whole, which includes both levels of government.¹² This is an expedient based on the attribution of a monistic concept to a subject, the federation, that, being a pluralistic structure, is only apparently unitary. Similarly, Francesco Rossolillo uses a monist conception of sovereignty, which he neutralises by applying it to the world federal people; yet even this solution, to be workable, demands a plurality of levels of government.¹³ It is striking that Albertini never devoted any essay specifically to the question of sovereignty, even though this fact alone is certainly not sufficient to set him in the “Anglo-Saxon” current.

Finally, an international scientific debate is now unfolding around the new contours of sovereignty, in the context of which old ideas centred on the monism of the state and sovereignty are returning to the fore,¹⁴ clearly as alternatives to federalism and the idea of a state of states.¹⁵ These ideas seem to imply a new and different conception both of the state and of sovereignty within a new federalist paradigm.¹⁶ Some remark that sovereignty has been reduced to a “*bargaining resource*”, with sovereignty sharing through supranational institutions, as in the case of the process of European integration, used as a negotiating tool to influence the behaviour of others.¹⁷ The fact remains that this very process has highlighted the monistic nature of decisions regarding certain issues, which explains why economic integration was achieved only gradually, and why forms of cooperation in the monetary and mil-

¹² Cf. L. Levi, *La federazione: costituzionalismo e democrazia oltre i confini nazionali*, introduction to A. Hamilton, J. Madison and J. Jay (L. Levi ed.), *Il Federalista*, Il Mulino, Bologna, 1997.

¹³ Cf. in particular F. Rossolillo, *Popular Sovereignty and the World Federal People as its Subject*, *The Federalist*, 37 n. 3 (1995), <https://www.thefederalist.eu/site/index.php/en/essays/1926-popular-sovereignty-and-the-world-federal-people-as-its-subject-popular-sovereignty-and-the-world-federal-people-as-its-subject>.

¹⁴ Cf. K. Waltz, *Theory of International Politics*, Reading (Ma), Addison-Wesley, 1979.

¹⁵ Cf. R. Castaldi, Preface to *I. Kant*, *The Federalist*, 40 n. 1 (1998), p. 89, <https://www.thefederalist.eu/site/index.php/en/federalism-in-the-history-of-thought/2267-immanuel-kant>; see also M. Albertini, *La pace, la ragione, la storia*, Bologna, Il Mulino, 1985.

¹⁶ Cf. D. Elazar, *Exploring Federalism*, Tuscaloosa (Al), University of Alabama Press, 1987.

¹⁷ Cf. R. Keohane, *Hobbes's Dilemma and Institutional Change...*, *op. cit.*, p. 74, author's italics.

itary spheres have led to integration only in the monetary field but not in that of defence.

As regards the question of the historical-social perspective and the application of an analytical/descriptive approach to world federalism, the situation is even less advanced. There is no common theory regarding the general conditions in which federative processes at world level might be considered possible, even though such a theory is indispensable in order to be able to evaluate events and political choices. Moreover, in the absence of the conditions for a federative process, it should be deemed desirable at least, as an alternative to conflict, to pursue deeper and more structured cooperation, notwithstanding all the limits of international cooperation (criticism of which constitutes the very basis of federalist thought).

It is a question of considering the framework in which a process of world unification based on true sharing of sovereignty, which is therefore structurally different from international cooperation, can be carried forward, and also of evaluating the specific topics that need to be explored in order to develop a new transition theory (similar to the constitutional gradualism developed, through the creation of partially federal institutions, for European unification). This theory must also be applicable to settings not yet presenting all the conditions necessary for a federative process, in which, therefore, the transition will be longer and more laborious, to the point that it may even be necessary to work out a strategy for creating them. It will also be necessary to identify the subjects that will be involved in the world unification process and the dynamics of the same, so as to establish what federalist strategy to implement in order to proceed towards the world federation. This will mean identifying the link or the links in the chain leading to the global federalist revolution on which we can apply leverage today, regardless of how long this chain may be.

Evaluation of world federalism from the historical-social perspective should seek to identify the general conditions making federation and federative processes possible at world level. Ever since the MFE's inception, the action of the Movement has rested on the assumption, implicitly shared but never theoretically developed, that in Europe, or in a part of it that can easily be identified by any observer, there exist the conditions for starting and carrying through a federative process. Some of the subsequent divisions and disagreements over strategy centred precisely on this assumption and on the lack of a shared theory regarding the general conditions in which it might be considered possible to start

and carry through this process. The *Alternativa Europea* group believed that the frameworks of the European Union and of the EU member states in which the process of European unification had thus far developed and expanded no longer offered the conditions that would allow a federative process to be completed. This argument was not supported by any specific identification of these conditions or any explanation of how this change had come about, although reference was made, in general terms, to the increase in the number of member states with the EU's enlargement. And it was also weakened by the initial identification of the six founding member states as the only suitable framework, which obviously implied that conditions for completing the unification process had been absent since the time of the first enlargement in 1973! In other words, since before the realisation of the fundamental stages envisaged by the constitutional gradualism approach adopted by the MFE as a fundamental strategic line towards the end of the 1960s. Nor did this argument make use of any of the interpretative categories traditionally used by Italian federalists to analyse historical-political processes — the *raison d'état* theory, the revised version of historical materialism, and the ideological paradigm shift¹⁸ — that might explain the change (so great as to necessitate a radical revision of the reference framework of federalist action in Europe) that had occurred. None of this invalidates the widely shared view that the eventual creation of the European federation will probably require a breakaway moment, given that not all the member states will simultaneously be ready to make the federal leap; and this, in turn, does not affect the general acknowledgment of the EU as the only framework in which the unification process can reach a federal outlet, by extending the ordinary legislative procedure — Commission proposal, decision by the Parliament, and Council voting by qualified majority — to all competences and by strengthening the EU's powers of government in the fiscal, economic, energy and environmental fields, as well as in those of foreign, security and defence policy.

Obviously, the fact that there has not really been any proper theoretical reflection on the conditions allowing the initiation and conclusion of federative processes has significant implications also from the perspective of world federation. In this regard, too, MFE has been divided in the past, failing to reach common conclusions, which actually were perhaps

¹⁸ Cf. L. Levi, *Crisi dello Stato e governo del mondo*, Turin, Giappichelli, 2005, and R. Castaldi, *A Contribution to a Theory of International Systems Change*, Turin, Centro Studi sul Federalismo, 2002, <https://www.iris.sssup.it/retrieve/handle/11382/307090/1121/A%20Contribution%20to%20a%20Theory%20of%20International%20Systems%20Change.pdf>, and Id., *Federalism and Material Intedependence*, *op. cit.*

not even needed, considering that the European federation is still in the making. At global level, we have developed the idea that the evolution of the mode of production will generate global interdependence, a phenomenon often encapsulated by the term globalisation, and thus put the unity of humankind on the agenda. But in what way? Lucio Levi argued that the scientific revolution of the mode of production, reflected in the globalisation process, opens the way, or creates the material conditions, for the political unification of humankind, and therefore makes concrete political action to this end possible.¹⁹ Francesco Rossolillo, on the other hand, maintained that the transition from the European to the new world system of states would mark the start of a historical cycle capable of culminating in a world federation, but only after the consumption and subsequent crisis of the new world system, of which regional integration processes, by creating political subjects of the necessary size, should be seen as reinforcements, rather like national unifications with regard to the European system. This view implicitly identifies regional integrations, and therefore the consolidation of regional poles whose existence would make it impossible for any single one of them to harbour global hegemonic aspirations, as the historical-social basis of world federalism.²⁰ I myself have argued that until we have a European federation, we lack a subject capable of providing occasional world leadership, and therefore that political action aimed at increasing awareness of problems and solutions is possible, but not yet strategic, i.e., aimed at achieving concrete institutional objectives, which may even be partial but can nevertheless be set within a strategic vision similar to constitutional gradualism.²¹

Today, this analysis warrants partial revision, at least with regard to the monetary sphere, in which Europe has acquired an effective capacity for action, as have other subjects, such as China, albeit in China's case in a context weakened by the absence of internal democracy and the non-convertibility of its currency. The debate is open and the recent reform of the International Monetary Fund could be used to support all three of the positions referred to above.

¹⁹ Cf. L. Levi, *The Unification of the World as a Project and as a Process. The Role of Europe*, *The Federalist*, 41, n.3 (1999), p.150, <https://www.thefederalist.eu/site/index.php/en/essays/1948-the-unification-of-the-world-as-a-project-and-as-a-process-the-role-of-europe>.

²⁰ Cf. F. Rossolillo, *The Long Path Towards the World Federation*, *The Federalist*, 38 n. 3 (1996), p. 145. <https://www.thefederalist.eu/site/index.php/en/editorials/1822-the-long-path-towards-the-world-federation>.

²¹ Cf. R. Castaldi, *The Political Phase and Strategic Phase of Unification Processes*, *The Federalist*, 43 n. 1 (2001), p. 69, <https://www.thefederalist.eu/site/index.php/en/discussions/1546-the-political-phase-and-strategic-phase-of-unification-processes>.

The need to identify the conditions in which federative processes are possible — in the absence of these conditions, cooperation is desirable and could constitute an initial intermediate objective towards the start of true processes of this kind — should be at the heart of globalist theoretical reflection. It is a question of identifying the framework in which it is possible to develop a process of federal unification at world level. And to do this, we first have to consider a series of questions: Can a global unification process be started without the establishment of a number of regional federations? Are the two processes superimposable, and to what extent? Before regional integrations are complete, is it a good thing for their member states to become part of global institutions of a supranational character, or would this instead slow down the development of these integrations? If the conditions for starting a federative process at a regional and/or global level are lacking, what forms of international cooperation or what other objectives or favourable conditions need to be promoted in order to then be able to start such a process? These are connected issues concerning the conditions in which it is possible to start and/or complete federative processes. At global level, though, the questions are more complex, and also related to the regional processes already under way.

Does the *First Definitive Article for Perpetual Peace* still apply? In other words, is it only democratic states that can agree to share sovereignty? If this is the case, the UN clearly cannot be the framework of the world unification process: while it might illustrate the need for this process, it is not an institutional element fundamental to it. And if this is the case, it also puts the UN in a position similar to that of the Council of Europe during what Albertini termed the “psychological phase” of the process of European unification.²² Accordingly, should the institutional framework be sought in another existing international organisation (if so, which?), or in the creation of a new one, such as a world environment organisation (already proposed by John Pinder around twenty years ago) that, however, would be open only to democratic states, which would mean excluding numerous countries and a large proportion of the world’s population? Or, instead, would it be a case of accepting that the UN, with its internal agencies and the galaxy

²² Cf. M. Albertini, *L'integrazione europea, elementi per un inquadramento storico* (1965), in Id. (N. Mosconi ed), *Tutti gli scritti, V 1975-1970, op. cit.*, http://www.fondazionealbertini.org/sito/albertini/vol_v/V-1965-21-L'integrazione%20europea,%20elementi%20ecc.pdf; available in French: Id., *L'intégration européenne*, *Le Fédéraliste*, 7 n. 3-4 (1965), https://www.thefederalist.eu/site/index.php?option=com_content&view=article&id=1164&lang=fr.

of international organisations with which it is linked and has structured relationships, constitutes the only possible framework, and therefore of identifying and implementing a strategy aimed at radically transforming its institutional essence, together with policies aimed at favouring the democratic transformation of all its member states?

Echoing Kelsen, Levi argued that state building starts from the judiciary, and thus that the International Criminal Court (ICC) could be a starting point from which to move in this direction, within a framework of global constitutional gradualism. Could this really be the answer? And if so, what would the next steps be? And how important is the fact that some of the world's powers, like the USA, China, India, the Russian Federation, Indonesia, Pakistan and the Philippines, which alone account for over 40% of the world's population and an even higher percentage of global GDP, are not ICC member states? Basically, a shared theory on the structural and historical-social aspects of world federalism still needs to be developed, from scratch.

2. Global Federalism: Strategy and Organisation.

As far as the process of European unification is concerned, the MFE recognised that, against all logic, it did not start from political union and institutions. This is indeed why we have had to develop a series of specific theories and concepts, distinguishing, for example, between integration (transfer of competences) and construction (construction of institutions and the transfer of powers); between the historical crisis of the nation-state and the specific crises of national powers, which open windows of opportunity for the advancement of the process and determine the nature and sector of initiatives that might successfully be pursued; and between the federalist initiative and the concept of occasional leadership. In the course of its life, the MFE has moved from a single-stage transition theory (the constituent moment theory) to a concept of transition involving multiple stages (the constitutional gradualism theory). When it comes to the goal of world federation, on the other hand, we basically have no transition theory concerning either the intermediate stages, institutional or geographical, or the overlapping of federative processes at regional and world level. Is it possible to theorise some form of constitutional gradualism on a global level? What would it look like? If the UN is not the right framework, and if we also consider that many of its key member states are not democratic, does it really make sense to fight for a UN parliamentary assembly, and possibly for its direct election?

And who, at global level, are the actors and potential occasional leaders that should be targeted by federalist initiatives? Or are we, instead, still in a phase in which any strengthening of international cooperation, even in the absence of any real sharing of sovereignty, is still to be welcomed, on the basis that it strengthens the ability to provide global public goods, albeit in inefficient and undemocratic ways?

All this also has implications for the question of which are the most suitable organisational methods for conducting effective action. The MFE's approach in this regard is based on Albertini's very profound reflections on the form of organisation that has to be in place in order to guarantee the political, cultural and financial autonomy of a federalist movement capable of fulfilling the role of initiative.²³ His reflections are, however, the product of what was a very specific historical time as regards the political-cultural setting in which the Movement was acting; the economic-social condition of European society; the organisation of work and the consequent constraints on individual action; the organisation of the other political and social forces and therefore of the instruments able to guarantee effective political exchanges; and the technological tools available for political action.

In some ways, the richness of Albertini's reflections has restricted the MFE's ability to innovate its organisation in the face of technological and societal change. Indeed, the MFE, probably more than any other political or civil society organisation in Italy today, has retained an organisational structure similar to the one it had 30 years ago.

At the MFE's organisational conference in Lugo, I endeavoured to develop an analysis of this topic, aimed at preserving the fundamental principles of the Movement's cultural, political and financial autonomy, while at the same time identifying ways to seize new opportunities and address the new difficulties and critical issues faced by federalist action in the current setting.

Some of my ideas were then put into practice with the help of other militants who shared them, leading to the creation of the *International Centre for European and Global Governance* (*Centro studi, Formazione, comunicazione e progettazione sull'Unione Europea e la global governance*, CesUE) and, through this study centre, to the creation of *Euractiv Italia*. These organisations have made it possible to share federalist positions in settings that are resistant, if not completely im-

²³ Albertini's most important writings on the subject have been collected in Part Eight of the anthology M. Albertini, *Una rivoluzione pacifica*, Bologna, Il Mulino, 1999, and are also available in *Tutti gli scritti*, op. cit..

pervious, to the action of the Movement, and deepen the penetration of the federalist message both in the Italian media and in public and political debate; they have also helped the Movement to obtain explicit support — we may cite the appeal by European intellectuals ahead of the March for Europe, the projections on the Colosseum created thanks to the expertise gained by CesUE through the European Awareness Days, and the conference held at the University of Roma Tre the day before the March and attended by Estonian premier Ratas, Italian ex-premiers Letta and Monti, the French ex-minister Alphandery, the president of the Committee of the Regions Markkula, and many other prominent figures in European political and cultural circles —, for its efforts to play a role of political initiative at European level, as shown by the appeal for a European response to the pandemic (launched at a time when there was still no sign of one). The content produced has become a significant resource for the pro-European agenda. Initiatives at national level include the memo on the energy and defence union whose contents were extensively taken up in Italian parliamentary debate following Russia's invasion of Ukraine, and also emerged in the position of the Spinelli Group and the subsequent motion of the European Parliament. Over time, however, numerous other organisations, far more prominent than CesUE, have evolved on the initiative of federalists, ranging from the Turin-based Centro Studi sul Federalismo (CSF), to the Paride Beccarini Study Center of Emilia Romagna, and of course the Spinelli Institute, the Bolis Foundation and the Albertini Foundation. We need to reflect upon how to exploit the synergies made possible by this evolution.

In the complete absence of an analysis of the organisational models needed in order to be able to reflect on a globalist level (indispensable for cultural autonomy), we also completely lack a capacity for global action based on a shared culture. Despite this, we are witnessing, also at global level, a proliferation of organisations, political and otherwise, that are reflecting on world issues, and now find ourselves faced with the challenge of how to best exploit the latest technologies in order to strengthen the federalist capacity for debate, theoretical elaboration and action, and how create a network and synergy between the World Federalist Movement and the multitude of players (associations, study centres, foundations, etc.) that, in various ways, deal with the process of world unification, cosmopolitan democracy, and the definition of global policies for global problems, such as environmental protection, etc..

Conclusion.

Spinelli and Albertini developed European federalism as an autonomous body of political thought, which they also gave a global dimension. However, the development of federalism as a global political philosophy is a task that remains to be completed and that we must tackle if we are to be worthy of the tradition that inspires us.²⁴

In this brief and schematic essay, I have endeavoured to reflect upon some of the most striking gaps in our theoretical reflection. In so doing, I have set out a series of questions that together form a sort of research agenda for the future, both for me and, I hope, for others who, like me, consider federalism as a political doctrine that, starting from the extraordinary heritage left to us, deserves to be developed and updated, so that it might better respond to the evolution of the world and allow us, increasingly, to understand, interpret and command the ongoing processes, in order to try and channel them towards federal outcomes. All this in pursuit of the emancipation of humankind and progressive civilisation that at present are as uncertain as they are desirable.

Roberto Castaldi

²⁴ In recent years, important contributions are those of G. Montani, *Ecologia e federalismo: la politica, la natura e il futuro della specie umana*, op. cit.; Id., *Il governo della globalizzazione: economia e politica dell'integrazione sovranazionale*, Manduria, Lacaita, 2001; D. Grace, G. Montani, J. Pinder. *Cambiamento climatico e federalismo*, Ventotene, Istituto di studi federalisti Altiero Spinelli, 2008, <https://www.istitutospinelli.it/download/it7-cambiamento-climatico-e-federalismo/>; D. Archibugi, G. Montani. *European Democracy and Cosmopolitan Democracy*, Ventotene, Istituto di studi federalisti Altiero Spinelli, 2011, <https://www.istitutospinelli.it/download/english-european-democracy-and-cosmopolitan-democracy/>.

Documents

The Next Flight of the Bumblebee: The Path to Common Fiscal Policy in the Eurozone*

MARIO DRAGHI

Ladies and Gentlemen,

It is a great honour to give this year's Martin Feldstein lecture. I am very grateful to Jim Poterba and to the *National Bureau of Economic Research* (NBER) for the invitation. The NBER is a cornerstone of economic thinking worldwide.

Since its foundation over a century ago, NBER members have pushed the boundary of academic research to an extent that was simply unimaginable at that time. You have also guided the work of policymakers and contributed to making the world a better place. I am personally very grateful for the research you have produced during my time in government and central banks. It has prevented mistakes, strengthened our convictions, and made our policies much more effective.

I would also like to pay tribute to the late Marty Feldstein. He was a towering figure throughout my career – in fact, it was thanks to an invitation from him that I attended the first Summer Institute back in 1978. Since then, he went on to influence academia and policymaking to an extent that few other economists can equal. His work on tax policy, public economics and savings behaviour has transformed the way we think about entire areas of research. This is because Marty's research

* This was the 15th Annual Martin Feldstein lecture given by Mario Draghi at the National Bureau of Economic Research in Cambridge (Mass.) on 11 July 2023.

always combined insightful ideas with robust empirical evidence and policy relevance. As the chairman of the Council of Economic Advisers to President Ronald Reagan, he spearheaded a paradigm shift in the relationship between governments and markets, not just in the US but worldwide. At the NBER, his stewardship has contributed to transforming this institution into the intellectual powerhouse it is today. And he did all of this, while continuing to care deeply for undergraduate and graduate students, mentoring many generations of economists. In the economics profession, it is hard to think of someone who – in one way or another – does not owe a debt of gratitude to Marty.

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My lecture today will focus on a topic which was very close to Marty's heart, which is the creation of the European Monetary Union and its future – of which Marty was extremely sceptical.

The fundamental macroeconomic challenge of forming a monetary union was laid out by Robert Mundell in 1961 and centred on the management of asymmetric shocks. Countries joining a common currency would relinquish the ability to set their own monetary policy and to use the exchange rate as an instrument of stabilisation. As monetary policy and exchange rate policy would be allocated to the management of common shocks, other adjustment mechanisms would be needed to address asymmetric shocks and prevent them from triggering prolonged regional slumps. Mundell identified those adjustment mechanisms as fiscal transfers and labour and capital mobility, which could stabilise demand *ex post* in depressed regions. In the later literature, the crucial role of risk sharing via capital market integration was also recognised, which would limit the size of local shocks *ex ante*.¹

The euro however went ahead with few of these conditions in place. Fiscal transfers among member states in form of assuming each other's debts were outlawed in the Maastricht treaty – reflecting a philosophy where countries should “keep their own house in order” and not rely on the largesse of others. Regional adjustment through labour mobility was underdeveloped, with studies at the time finding that the majority of employment shocks were absorbed through changes in the participa-

¹ See R.A. Mundell, *A Theory of Optimum Currency Areas*, American Economic Review, 51 No 4, (1961), pp. 657- 665; R. McKinnon, (), *Optimum Currency Areas*, American Economic Review, 53 No 4 (1963), pp. 717-724; P. Kenen, *The Theory of Optimum Currency Areas: An Eclectic View*, in R.A. Mundell, and A.K. Swoboda, (eds), *Monetary Problems of the International Economy*, Chicago, Chicago University Press, 1969.

tion rate rather than migration.² And there was no serious attempt to integrate European financial markets, beyond soft regulatory alignment.

So why did they do it? Viewed from this side of the Atlantic, the reasons were often incomprehensible. Many economists warned that the European monetary union was doomed to fail, that the elites had cheated their people, and that the consequences would be stark – condemning the EU both as an economic and a political project. As Marty Feldstein warned in a famous 1997 article for *Foreign Affairs*,³ “if EMU does come into existence, as now seems increasingly likely, it will change the political character of Europe in ways that could lead to conflicts in Europe”.

But there was always another perspective, which was that the euro was the consequence of decades of past integration – notably the evolution of Europe’s single market – and that it was only one more step along a much longer road towards political union. And through the so-called “functionalist” logic of integration, where one step forward leads inexorably to the next as its shortcomings are revealed, the end-goal of political union would drive the necessary macroeconomic changes. From this viewpoint, the key question was not whether the euro area was an optimal currency area from the start – evidently it was not – but whether European countries were prepared to make it converge towards one over time.

The immediate aftermath of the creation of the euro, however, added to the doubts of the sceptics. And it is easy to see why many did not view this political narrative as credible, especially once the euro was launched and the next steps in political union began to unfold. When given the chance to demonstrate their commitment to political union in the form of a European constitution, Europeans rejected it. And the EU then elected to enlarge to Eastern Europe in the mid-2000s without reforming its decision-making rules – arguably weakening rather than strengthening its political nature.

But having taken part in the negotiations for monetary union in the early 1990s, as head of the Italian treasury, I can attest that this political motivation was real. The goal of building an ever-closer European Union ran very deep, born out of the ashes of the World War Two and conceived above all to avoid conflict in Europe. And the single currency was seen as a fundamental step towards that goal. From a political standpoint, the

² See J. Decressin, and A. Fatas, *Regional Labour Market Dynamics in Europe*, CEPR Discussion Papers No 1085 (1995); M. Obstfeld, and G. Peri, (1998), Regional non-adjustment and fiscal policy, *Economic Policy*, 13, No 26 (1998), pp. 206-259.

³ M. Feldstein, *EMU and International Conflict*, *Foreign Affairs*, 76 No 6 (1997).

priority was therefore to seize the historical moment not to wait until every necessary condition was in place. And there was a genuine belief that the core commitment to European unity would create the political will to address any design flaws that were uncovered along the way.

So, we moved forward, sidestepping our contradictions and knowing that there were serious economic concerns – especially the lack of fiscal transfers and the very different starting conditions across member states in terms of public debt levels.

Success would depend on three conditions being met.

First, national fiscal stabilisers would have to be able to operate freely, which – given the size of national budgets in Europe – could provide substantial stabilisation of local shocks. Estimates at the time suggested that national budgets could provide as much stabilisation of asymmetric shocks as the US federal budget.^{4,5}

Second, the political commitment to the euro would have to create implicit transfers in place of explicit ones – via fiscally weaker countries “borrowing” the credibility of fiscally stronger ones and enjoying lower financing costs. That would allow governments to implement stabilisation policies without threatening their market access.

Third, fiscal rules would have to be designed and applied in such a way as to anchor confidence in the medium-term soundness of public finances, so that counter-cyclical expansions would not engender fundamental questions of solvency. In that way, the promises that underlay those implicit transfers would never have to be tested.

For the first decade of the euro, the first two of these conditions broadly held.

Markets viewed euro area sovereign issuers as essentially interchangeable, with spreads on Italian bonds converging to within a few basis points of German ones. And national fiscal stabilisers were able to operate relatively freely when faced with moderate shocks, such after 9/11 and the dotcom bust.

But the third condition failed. Europe’s fiscal rules were built around deficit limits – with a ceiling of 3% of GDP – which created an in-built pro-cyclicality. Whenever a country grew quickly, it would see revenue

⁴ See T.Bayoumi, and P. Masson, *Fiscal flows in the United States and Canada: lessons for monetary union in Europe*, European Economic Review, 39 No 2 (1995), pp. 253-274.

⁵ Later estimates find that 49% of an unemployment shock is absorbed by the automatic stabilisers in the euro area, whereas the figure for the US is 32%. See M. Dolls, C. Fuest, J. Kock, A. Peichl, N. Wehrhöfer, and C. Wittneben, *Automatic Stabilizers in the Eurozone: Analysis of their Effectiveness at the Member State and Euro Area Level and in International Comparison*, Mannheim, Centre for European Economic Research, 2015.

windfalls which made the deficit ceiling look slack, leading in turn to rising spending commitments and higher structural deficits. But if the cycle turned sharply, those revenues would evaporate while the structural commitments remained, rapidly reducing fiscal space. As a result, when faced with a very large shock after the Lehman bust, deficits ballooned and public debts were pushed closer to levels that could not be sustained by implicit transfers alone. The constructive ambiguity of the common commitment to the euro had to be filled out by detailed plans for what would happen *in extremis*.

Governments initially responded as the “functionalists” had hoped, by expanding the euro area’s policy framework to allow limited transfers in the form of IMF-style financial assistance. And they did so successfully, launching the first Greek bailout and a common European financing mechanism. But then EU leaders announced in late 2010 that future bailouts would be subject to sovereign debt restructuring: the so-called “Deauville agreement”. In an instant, this cut off implicit transfers and injected credit risk into all European sovereign bonds.

It left us with two stark choices.

The first was to accept widespread sovereign failures in order to “reset” the union at lower debt levels, thereby preserving the principle that fiscally stronger states should not pay for weaker ones. But precisely because initial debt levels were so high, and holdings of sovereign paper were concentrated within the euro area banking system, defaults could not remain contained events except for very limited cases. Fearing principal losses and – at worst – redenomination into lower-value currencies, investors sold off the public debt of any country perceived to be vulnerable, triggering a vicious circle of worsening bank balance sheets, tightening credit conditions and tumbling growth – and ultimately deep financial fragmentation. By 2012, spreads vis-à-vis German ten-year government bonds reached 500 basis points in Italy and 600 basis points in Spain, with even wider spreads in Greece, Portugal and Ireland. As those economies represented a third of euro area GDP, it was unthinkable that the rest of the union would not be pulled under without a change of tack.

The second option was therefore to make transfers more explicit, which is what Europe ultimately did – if in a suboptimal way. It expanded its common financing mechanism, which increased risk-sharing through cross-border lending within the Union. Recent literature finds that pre-sovereign debt crisis, only around 40% of country-specific shocks in the euro area were absorbed, whereas once this official

assistance was in place around 60% were smoothed out.⁵ This lending in turn facilitated a form of fiscal transfers. It allowed Greek debt to be restructured, transferring resources from private bondholders to public creditors. And those public creditors then extended their loans decades into the future at very low fixed interest rates, which will lead over time to a large intertemporal transfer to Greece and other countries that received financial assistance. This response again inched the euro area closer to an optimal currency area.

But the transfers still fell some way short of the model that Mundell had imagined.⁶ The key problem was that their stabilising effect was undermined in the countries receiving them by the strict terms of the accompanying adjustment programmes. And at the same time, Europe's procyclical fiscal rules compounded the weakness in demand by inducing an aggregate fiscal contraction into a recessionary shock. As countries strived to stay on the right side of the deficit limits, the euro area fiscal stance tightened by around 4 percentage points of potential GDP from 2011 to 2013 – even in countries that had ample fiscal space and suffered no market pressure, thereby reducing demand for exports from countries without fiscal space.

The difficult road towards building a complete monetary union was illustrated by the diverging responses in Europe to these developments. In Greece and other countries, years of austerity fuelled rising populism. But in Germany, Euroscepticism also rose as new parties appeared opposing bailouts and the perceived laxity of their terms. And a few years later, once monetary policy turned strongly accommodative in part to offset the disinflationary effects of fiscal tightening, the Finance Minister of Germany claimed that it was 50% responsible for the rise of Eurosceptic parties in his country.

For all these problems, however, the euro survived. Governments of all colours and from all countries continued to stand behind the project, preferring to keep even the weakest member states on board. This strong political commitment was essential when the European Central Bank announced in 2012 that it would be within its mandate to do “whatever it takes” to save the euro – a decision sanctioned by the European Court of Justice three years later. And investors stopped betting against the dissolution of the common currency, since they knew that Europe's decision-makers would never allow it to happen.

There is still no agreement today in the euro area around a central

⁶ J. Cimaromo, G. Ciminelli, O. Furtuna, and M. Giuliodori, *Private and public risk sharing in the euro area*, European Economic Review, 121, January 2020.

budget for stabilisation purposes or cross-border fiscal transfers. And this begs the question of whether the currency area can ever be truly stable without further integration in this domain. There is no doubt that it would be a desirable end-goal to have a central fiscal capacity for stabilisation purposes, as regions will always be exposed to asymmetric shocks.

But three factors suggest that it may no longer be a *sine qua non* condition.

First, over time, the euro area has gradually converged closer to the other ideal conditions that Mundell laid out, somewhat mitigating the need for fiscal transfers. 25 years of economic integration have led to more integrated supply chains and more synchronised business cycles, making the single monetary policy more appropriate for all countries. Multiple studies find that business cycle synchronisation in the euro area has risen since 1999 and the euro can explain at least half of the overall increase.⁷ At the same time, while labour mobility in the euro area remains some way short of US levels, studies have found a gradual convergence, reflecting both a fall in interstate migration in the US and a rise in the role of migration in Europe.⁸ And channels of risk-sharing have improved further. For example, against the backdrop of banking sector integration – the so-called banking union – and generous official assistance, cross-border lending was notably more resilient during the pandemic than we had seen during previous large shocks.⁹ The further Europe can advance along this path – especially in terms of integrating its capital markets – the lower the need for permanent fiscal transfers will be.

Second, the ability of national fiscal policies to stabilise the cycle has been bolstered by changing reaction function of the central bank. Since 2012, the ECB has identified unwarranted increases in sovereign spreads as a fundamental impediment to the smooth transmission of monetary policy – and repeatedly acted when transmission was at threat. That reaction function has placed an effective floor under sovereign bond markets in cases where spreads are not fundamentally driven – a floor that has proven to be effective even when the stance of monetary and fiscal policy has not been aligned. For example, euro area gov-

⁷ Meta analysis by Campos et al. that encompasses the estimates, design and estimation characteristics of more than 60 studies on business cycle correlations between EU countries. See N. Campos, J. Fidrmuc, and I. Korhonen, *Business cycle synchronisation in a currency union: Taking stock of the evidence*, Bank of Finland Research Discussion Paper, No 28/2017, September 2017.

⁸ R. Beyer, and Smets, F., *Labour market adjustments and migration in Europe and the United States: how different?*, Economic Policy, 30, No 84 (2015).

⁹ J. Cimadomo, *Risk sharing in the euro area: a focus on the public channel and the COVID-19 pandemic*, ECB Economic Bulletin, No 7/2022.

ernments were able to undertake a sizeable fiscal stimulus to offset the effects of the energy crisis last winter, even as policy rates were rising steeply and the economy was stalling – with the euro area transferring more than 200 billion euro to the rest of the world in the form of a terms of trade tax. This would likely have been impossible a decade prior, when even small rate increases proved destabilising. It suggests that something has fundamentally changed in how investors view the euro area and the leeway that they are prepared to provide.

Third, the nature of the shocks we are facing is changing.

With the pandemic, the energy crisis and the war in Ukraine, we are increasingly confronting common, imported shocks rather than asymmetric, self-inflicted ones. This shifts the problem from supporting struggling states towards addressing shared challenges – and so creates a different alignment of political preferences.

As the episode I described earlier illustrated, cyclical risk-sharing is hard to implement in Europe because political preferences are severely misaligned. But for shared goals such as health, defence and the climate transition, policy preferences are overlapping and the need for higher spending commitments is incontrovertible.

The European response to pandemic acknowledged this new reality.

It forced Europe to centralise important areas of health policy, as the Commission proved a more effective buyer of vaccines than individual states could be. The restrictions which were necessary to slow the spread of the virus also led to the creation of a joint fund to support labour markets across the euro area (“SURE”).

Third, the nature of the shocks we are facing is changing. With the pandemic, the energy crisis and the war in Ukraine, we are increasingly confronting common, imported shocks rather than asymmetric, self-inflicted ones. This shifts the problem from supporting struggling states towards addressing shared challenges – and so creates a different alignment of political preferences. As the episode I described earlier illustrated, cyclical risk-sharing is hard to implement in Europe because political preferences are severely misaligned. But for shared goals such as health, defence and the climate transition, policy preferences are overlapping and the need for higher spending commitments is incontrovertible. The European response to pandemic acknowledged this new reality. It forced Europe to centralise important areas of health policy, as the Commission proved a more effective buyer of vaccines than individual states could be. The restrictions which were necessary to slow the spread of the virus also led to the creation of a joint fund to sup-

port labour markets across the euro area (“SURE”). Ultimately, Europe agreed on the creation of a 750 billion euro fund (“Next Generation EU”) to support countries in addressing the green and digital transitions, which demand much greater investment than individual countries alone can afford. And so, if the degree of convergence within the euro area is higher, the frequency of asymmetric shocks is lower, and common funding of shared goals increases, the rarer will become the instances when a fiscal capacity is really needed.

The key question now is whether Europe can continue this transition from cyclical to structural fiscal policy – and thereby open up a different, perhaps more historically- founded, road towards fiscal union.

History tells us that common budgets have rarely been created as an adjunct to monetary integration, but rather to deliver specific goals in the public interest. In the US, it was the war of independence that delivered the “Hamiltonian moment” of debt assumption by the federal government. In Canada and Germany, the first direct federal taxes – aside from customs duties – were created to generate new revenues to fund the First World War. It was the need to overcome the Great Depression that led to the expansion of the US federal budget in the 1930s. Similarly, in Europe today we have never faced so many shared supranational goals, by which I mean goals that cannot be managed by countries acting alone. We are undergoing a series of major transitions which will require vast common investments.

The European Commission puts the investment needs for the green transition at more than 600 billion euro annually until 2030¹⁰ – and between a quarter and a fifth of this will have to be funded by the public sector.¹¹ We are also facing a geopolitical transition, driven by US-China decoupling, in which we can no longer rely on unfriendly countries for critical supplies. That will require a substantial reorientation of investment towards building capacity at home. And never in the history of the EU have its founding values of peace, democracy and freedom been challenged as much as they are by the war in Ukraine. One immediate consequence is that we must make a transition towards much stronger common European defense if we are, at a minimum, to meet the NATO military expenditure target of 2% of GDP.

But as it stands, Europe’s institutional construct is not well suited to carry out these transitions – as a comparison with the US reveals.

¹⁰ European Commission, 2023 *Strategic Foresight Report*.

¹¹ Z. Darvas, and G.B. Wolff, *A green fiscal pact: climate investment in times of budget consolidation*, Bruegel Policy Contribution, No 18/21, September 2021.

Here, we are seeing a new focus on so-called “statecraft”, where federal spending, regulatory changes and tax incentives align to pursue US strategic goals. The Inflation Reduction Act, for example, will simultaneously accelerate green spending, attract foreign investment and restructure supply chains in America’s favour. But Europe lacks an equivalent strategy to integrate EU-level spending, state aid rules and national fiscal plans – as the example of climate change shows. Once Next Generation EU expires, there is no proposal for a federal instrument to replace it to carry out the necessary climate-related spending. EU state aid rules limit the ability of national authorities to actively pursue green industrial policy. And we have no carve outs in our fiscal rules to enable sufficient long-term investment. Without action, there is a serious risk that we under-deliver on our climate goals, and likely lose our industrial base to regions that impose fewer constraints on themselves.

This leaves us two options.

First, we can ease state aid rules and relax fiscal rules, allowing member states to take on the burden of investment spending in full. But in the process, we will create fragmentation as – even with the greater leeway that markets are allowing the euro area today – countries with more fiscal space will have much more room to spend than others. As we learned from the Deauville agreement, fragmentation makes no sense when there is a supranational objective that countries cannot achieve on their own. Just as the euro cannot be stable if large parts of the monetary union are failing, climate change cannot be solved by Germany reducing its carbon emissions faster than Italy.

So, this means that the only option that allows us to achieve our goals is the second one: to take this opportunity to redefine the EU, its fiscal framework and its decision-making process, and make them commensurate with the challenges we face. And it so happens that the fiscal rules are currently up for discussion, while – with further enlargement on the table – the time to reflect on decision-making rules is apt.

The core challenge for the euro area is that we are relying on fiscal rules at the national level to deliver multiple different goals. Given the crucial stabilising role of national budgets, we need rules that allow counter-cyclical policy to respond to local shocks. We also need rules that facilitate the massive investment needs we require. And we need to ensure the medium-term credibility of national fiscal policies in a context of very high post-pandemic debt levels.

But there is an inherent trade-off between these goals. Ensuring fiscal credibility requires rules to be more automatic and contain less dis-

cretion. But since no rule can be tailored to all future contingencies, more automaticity will always constrain the ability of governments to react to unforeseen shocks. Likewise, credible rules require adjustments over not-to-long time horizons. But the kind of investments we need today imply long-term spending commitments – many of which will extend beyond the lifetime of the governments who are making them. The European Commission has attempted to resolve these trade-offs by proposing to focus on an expenditure rule which is linked to a country's medium-term debt trajectory. This would certainly be an improvement on the previous deficit caps, as expenditure rules accommodate revenue windfalls during upswings, thereby enabling the countercyclical, stabilising role of fiscal policy when the cycle turns.¹²¹ The expenditure path can also be adjusted for countries undertaking investments by lengthening the period until the debt trajectory needs to start declining. But all this will inevitably come at the price of automaticity and, perhaps, enforceability.

So, if we look further ahead, we need to acknowledge that truly credible fiscal rules cannot work without an equivalent re-thinking of where fiscal powers should reside. As automatic rules represent a devolution of powers *to* the centre, they can only work if they are matched by a greater degree of spending *from* centre. This is broadly what we see in the US, where the devolution of powers to the federal government makes possible broadly inflexible fiscal rules for the states. Balanced budgets at the state level are credible *precisely because* of fiscal transfers and federal spending on common projects, which can address unforeseen shocks and fund shared goals. The euro area will probably never replicate this structure in full, given the greater role of national budgets in macroeconomic stabilisation. But there are good reasons why importing some elements would make sense.

First, if we were to carve out and federalise some of the investment spending that is needed for shared goals, it would make use of our fiscal space more efficiently. Europe's asymmetric fiscal space – with some able to spend much more than others – is fundamentally wasteful when it comes to shared goals like climate and defense. If some countries can spend freely on these goals but others cannot, then the multiplier of all spending is lower, since none are able to achieve climate or military security.

Second, issuing more common debt to finance this investment

¹² See C. Kamps, and N. Leiner-Killinger, *Taking stock of the functioning of the EU fiscal rules and options for reform*, ECB Occasional Paper Series No. 231, 2019.

would potentially enlarge the collective fiscal space we have available. The borrowing costs of the EU are lower than the weighted average borrowing costs of its member states, and they are almost identical to those of the financing mechanism set up during the crisis, the ESM – despite the latter sitting on so much paid-in capital that it could repurchase 70% of its bonds at nominal value. This suggests that investors put significant faith in the capacity of the EU to extract from each participating country the future stream of revenue necessary to service the underlying debt. And that in turn implies an untapped potential for the EU to intermediate debt and lower aggregate borrowing costs in the Union. But elevating more tasks to the federal level would require trust between member states in the ability and integrity to spend joint funds by national authorities – as much of the implementation would still take place at the national level. And it would require a commensurate change in our fiscal rules in the direction of less flexibility. Issuing more EU debt would, everything else equal, reduce the fiscal capacity to service national debt. And that means, at a minimum, we would need to ensure that high-debt member states use the fiscal space created by common spending to improve their fiscal outlook – a part of which should come through positive growth effects. For now, there are limits to how far we can go in this direction, not least because the borrowing cost of the Union is still above that of its strongest members – meaning more common borrowing may be seen as a form of unsanctioned fiscal transfer. And so, one possibility is to proceed – as we have up to now – with technocratic, “functionalist” integration, making apparently technical changes and hoping that political ones will follow. This approach succeeded eventually with the euro, and it has ultimately made the EU stronger. But the costs have been high and progress has been slow.

The other possibility is to proceed with a genuine political process, where the ultimate goal is explicit from the outset and endorsed by voters in the form of an EU Treaty change. This route failed in the mid-2000s and policymakers have shied from it since, but I believe that now there is more hope of movement. As the EU enlarges further to include the Balkans and Ukraine, it will be essential to reopen the Treaties to ensure that we do not repeat the mistakes of the past by expanding our periphery without strengthening the centre. And this should produce a natural alignment between our shared goals, collective decision making and fiscal rules. The starting point of any future Treaty change must be the acknowledgement of the increasing number of shared goals and the need to finance them together, which in turn necessitates a different

form of representation and centralised decision-making. Then, a move towards more automatic rules would become more realistic.

I believe that Europeans are more ready than twenty years ago to take this route, because today they only really have three options: paralysis, exit or integration. The polls are clear that citizens feel an increasing sense of external threat, not least since the Russian invasion, which makes paralysis increasingly unattractive. The case for exit has moved from theory to reality with Brexit and whether there are net benefits remains highly uncertain. And so, the relative costs of further integration are now lower. Whichever route we take, we cannot stand still or – like a bicycle – we will fall over. The strategies that had insured our prosperity and security in the past – reliance on the USA for security, on China for exports and on Russia for energy – are either insufficient, uncertain or unacceptable. The challenges of climate change and migration only add to the sense of urgency to enhance Europe's capacity to act. We will not be able to build that capacity without reviewing Europe's fiscal framework, and I have tried to outline the directions this change might take. But ultimately the war in Ukraine has redefined our Union more profoundly – not only in its membership, and not only in its shared goals, but also in the awareness it has created that our future is entirely in our hands – and in our unity.

PARLIAMENT ACTIVATES THE TREATY REVISION PROCEDURE: THE SIGNIFICANCE OF THE VOTE AND EUROPE'S PRIORITIES*

On 22 November, the European Parliament approved the report on proposals for amendment of the Treaties drafted by Spinelli Group members Guy Verhofstadt, Sven Simon, Gabriele Bischoff, Daniel Freund, and Helmut Scholz. The text received 291 votes in favour, 274 against and 44 abstentions.

The Treaty revision procedure pursuant to art. 48 TEU has thus formally been activated. In the next few days, the Council will submit a request for Treaty revision to the European Council, attaching the detailed draft of the proposed Treaty amendments. The European Council will then be required to decide by a simple majority (at least 14 governments out of 27) whether to convene a Convention to begin negotiating EU reform with representatives of the governments, national parliaments, Commission and European Parliament.

Despite some significant changes made to the text by the plenary of the Parliament, the very fact that the report has been approved opens up a hugely important opportunity for the federalist battle.

The Draft Reform of the Treaties: The Definitive Text Approved by the Parliament

A New Institutional Balance.

The final document, approved by the European Parliament, confirms much of the content of the text initially drawn up by the European Parliament's Committee on Constitutional Affairs (AFCO).

First of all, the draft reform of the Treaties provides for the creation of a new institutional balance through a major strengthening of the Eu-

* This text was first published in 2023 in the series of *Quaderni federalisti*, edited by the European Union of Federalists and the European Federalist Movement, and diffused as *European Letter* no. 76.

ropean Parliament, which will take on a role as co-decision maker in a range of key areas, such as foreign policy, defence policy, cooperation in the area of criminal matters, coordination of member states' economic and social policies, authorisation of international negotiations, and adoption of the multiannual financial framework. At the same time, the Council will no longer be able (almost) to make decisions unanimously. As a general rule, it will have to adopt decisions by qualified majority voting (applying the so-called double majority rule), and only in certain cases by a simple or an enhanced qualified majority. Clearly, these proposals aim to bring the European Union closer to a *bicameral model*, in other words, closer to a reality in which the representatives of European citizens and those of the member states decide together on the organisation's policies.

Second, the final document confirms the reform of the procedure for appointing the Commission (to be renamed "Executive"). Under this procedure, the Parliament initially chooses a candidate for President (of the Union), who is then confirmed in the role by the European Council voting by simple majority. The aim of this reform is to strengthen the *Spitzenkandidaten* procedure and prevent any *a priori* vetoing of the chosen candidate by member states. The new commissioners (to be renamed "Secretaries"), on the other hand, will be proposed by the President of the Union, but subsequently elected by the Parliament, without any *a priori* involvement of the national governments, unlike what happens today. Only at the end of the process will the European Council appoint the Commission/Executive *en bloc*, through a simple majority vote.

These changes are designed to strengthen the Union's adherence to the *parliamentary democracy* model, as is the lowering of the majority necessary in order for a motion of censure (vote of no confidence) to be brought by the Parliament against the Commission/Executive, which from the current two-thirds will change to a simple majority. In this way, the Parliament's political control over the entire Commission/Executive and individual commissioners/secretaries will be strengthened. In turn, it will fall to the President of the Union (and, *ergo*, of the Commission/Executive) to direct the European Council towards, it is hoped, a better balance of the different national priorities.

Finally, the European Parliament will be further strengthened by taking on functions that, previously, were mainly the province of the Commission: the right of *legislative initiative* and the right to launch

infringement proceedings, before the Court of Justice, against member states that violate EU law.

Increased Competences.

The draft reform approved by the Parliament calls for a major extension of the EU's competences: formally, *common foreign and security policy*, as well as *health, industry and education*, will become shared competences. It will also become easier to extend the jurisdiction of the European Public Prosecutor's Office to *new types of transnational crime*. As far as environment policy is concerned, the EU's role in the *fight against climate change* will be strengthened by the addition of specific references to this issue in art. 3 TEU (on the Union's aims), and also by the introduction of the exclusive competence to conclude international agreements in the context of global negotiations on climate change.

More Effective Union Oversight of Values Violation.

The infringement procedure for *breaches of the Union's values*, provided for under art. 7 TEU and already triggered against Poland and Hungary, albeit ineffectively due to the inertia of many of the governments, will be profoundly transformed. First of all, a qualified majority as opposed to a unanimous vote will be sufficient to trigger it. More importantly, with the Court of Justice assigned the task of deciding whether a violation of values has actually occurred, the nature of the *oversight* will be judicial, and no longer political. The Council, deciding by qualified majority, will subsequently be able to apply sanctions, including suspension of European funds.

Approval of the Reform by a Majority Vote.

In what is one of the most crucial points for the success of the proposed reform, the Parliament strongly requests that the Reform Treaty be adopted by a majority of member states, specifically that it should come into force when *ratified by only 4/5* of them. This solution would be a means of overcoming the unanimity rule that in the past has paralysed the ambitions of countries more open to greater integration, and allowed the minority to prevail. It therefore paves the way for a *break-down of the "confederal" framework* in which the European Union is currently trapped, and raises the possibility that the member states might reorganise themselves into different circles of integration around, it is to be hoped, a federal core.

Weaknesses Compared with AFCO's Initial Treaty Revision Proposal

The satisfaction that is being felt over the activation of the Treaty revision procedure must not be allowed to conceal the frustration at the fact that the proposal has, in some respects, been watered down during the process of its approval in plenary. As a result of vetoes and blackmail by some political groups, the final text, as amended by the Parliament, lacks some important reforms initially requested by AFCO.

The most important example of this weakening of the text is the cancellation of the amendment that would have given the Union its own autonomous fiscal capacity. Indeed, article 311 TFEU, which sets out the rules governing the own resources framework of the EU budget, retains both the unanimity rule in the Council, and the requirement for subsequent approval by all member states according to their own internal procedures. As a result, it will not be possible for the Union to easily acquire new common debt, or new stable revenues for its budget, since each government (and each national parliament) will retain the power to exercise a veto. The rejection of this amendment is a serious setback, given the systematic importance of fiscal capacity development in the creation of federal states; after all, it is thanks to its power to collect resources that a federation is able to fund its policies autonomously. In other words, fiscal competence is functional to the development of *Kompetenz-Kompetenz* and therefore to the Union's ability to be self-determining, emancipating itself from the member states. Another important weakness is due to the removal of the proposed references to pan-European referenda, potentially key instruments that would have allowed the citizens themselves to take binding decisions concerning the development of EU policies, and to approve future Treaty changes by majority of the popular vote.

Why the Vote in the European Parliament Has Nevertheless Opened a Window of Opportunity in the Battle for a Federal Europe

The vote on 22 November was the successful conclusion of an initial step in the Union's reform process. The European Parliament, successfully taking up the baton from the Conference on the Future of Europe, put forward an ambitious proposal for reform of the Treaties that incorporates most of the citizens' proposals, including those of European federalists. Obviously, the federal direction taken by the project

will need to be better clarified, especially in view of the last-minute elimination of the request for an EU fiscal capacity. Nevertheless, the reform proposed by the Parliament clearly aims to give the Union greater sovereignty and democracy.

Given the important transformations that this reform would entail, it is important to reflect upon the reasons why the text submitted to the plenary session was approved with a smaller majority than the one that supported the original text drawn up by AFCE. To a large extent, this can be attributed to the wish to include divisive political issues in the report, which created divisions between the political forces; in other words, more importance was attached to ideological positions than to the construction of the institutional tools that must be in place in order to be able to actually implement policies. In the context of the fight to build a more democratic Europe that is better equipped to act, all the pro-European forces have to be able to recognise the correct priorities. To do this, they have to understand the need to unite in pursuit of the shared objective — strengthening our common home —, and the need to avoid falling out over identity issues even before they have created the tools necessary to truly wage the battles at European level in which they all believe. The need to make an effort in this sense has become more urgent than ever, given that, faced with the now real possibility of federal reform of the Treaties being undertaken by a majority of countries, the Eurosceptic forces and those substantially in favour of maintaining the *status quo* have responded with a united front. The evolution they fear is precisely what federalists are hoping for, namely that starting work on the revision of the European Treaties will set in motion a process with the capacity to overturn the political and legal balances that currently govern the Union, and thus split governments and political forces into two camps, those in favour of a federal leap and those against.

What is more, the weakening of the text should not be perceived as a definitive defeat or an irreparable mistake that could undermine the significance of the European Parliament's vote. In fact, the parliamentary work that came to an end on 22 November has left three important legacies:

- the Treaty revision procedure has been formally activated: this means that the states will be obliged to state their positions on the Parliament's proposals and on the need to advance European integration;
- the European Parliament has strongly affirmed the need for a reform of the Treaties with the agreement of a majority, and therefore the

- need to overcome the current legal framework based on unanimity;
- the proposed Treaty amendments are a movement towards greater European sovereignty on decisive issues; whether or not the reform actually leads to the creation of a European federation will depend essentially on the outcome of the negotiations and, above all, on the ability of the participating states to ensure that the future Union has its own fiscal capacity.

The forces in favour of the reform now need to put pressure on the governments, so that they do not immediately snuff out the possibility of opening the Convention. The European Council vote on the convening of the Convention is, in effect, the last step governed by the existing Treaties' "confederal" rules: once the Convention has been opened it will be easier to arrive at the hoped-for break with the existing legal framework, so that the most ambitious states can proceed with transforming the Union in accordance with AFCO's initial proposal for Treaty change.

30 November 2023

Luca Lionello

WHY WE NEED A CONVENTION TO CHANGE THE TREATIES*

1. Introductory Remarks

The crises of recent years, and in particular Russia's aggression against Ukraine and the current worldwide attempt to impose an autocratic model that strips the achievements of democracy of their content, have forcefully raised the issue of a profound reform of the Union, made all the more urgent by the now imperative need for enlargement to include new Member States. The awareness of the need for a reform of the European Union to make it capable of effectively facing the current challenges, become a balancing element on the international scene, and guarantee public goods for its citizens has also emerged from the Conference on the Future of Europe.

The proposal for reform of the Treaties¹ approved by the European Parliament last November took up the conclusions of the Conference and translated them into proposals for amendments to the provisions of the Treaties. It is a comprehensive and far-reaching revision proposal aimed at opening the ordinary revision procedure provided for in Article 48 TEU and thus at convening a Convention for this purpose.

The aim of this paper is to highlight that the reforms the European Union needs in order to be able to act effectively in areas where common policies are needed can be achieved only through the convening of a Convention, as envisaged by the ordinary revision procedure, and not through other instruments provided for by the Treaties. Neither the simplified revision procedures of Article 48(6) and (7) TEU nor the possibility (provided for in Article 49 TEU) of laying down adjustments to the Treaties on the occasion of the accession of new member States are indeed viable avenues for the effective and comprehensive reform that is needed today.

* This is the memorandum sent by the European Union of Federalists (UEF) to the President of the European Commission, Ursula von der Leyen, to the President of the European Council, Charles Michel, to the members of the European Parliament and to the 27 national governments.

¹ P9_TA(2023)0427, Proposals of the European Parliament for the amendment of the Treaties. European Parliament resolution of 22 November 2023 on proposals of the European Parliament for amendment of the Treaties (2022/2051(INL)).

2. The Improvements That the European Union Needs

In order to successfully address the challenges of security, global technological and economic competition, the costs of the ecological and digital transition, the consequences of an ageing population, migration flows, health and education, effective European policies are needed, and these, in order to be realized, require certain changes in the functioning of the EU. These changes concern the Union's decision-making mechanisms, the competences that must be shared also at European level and the instruments to exercise them. In addition, there is the problem of respect for the rule of law by Member States.

2.1 The Overcoming of Unanimity and the Involvement of the European Parliament to Make the European Union More Efficient and Democratic.

Unanimity in Council still applies in many key areas of the European Union's competence, above all in the field of foreign and security policy and defense, and in fiscal policy and financing of the Union.

This decision-making rule is neither efficient nor democratic, neither now nor in the perspective of an upcoming enlargement. The need to reach an agreement among 27 – and potentially more than 30 – representatives of democratically legitimized national governments, accountable to a national electorate, makes indeed decisions a result of compromise at the lowest common denominator between conflicting national interests and risks paralyzing the decision-making capacity of the Union. The intergovernmental nature of the decision-making process, hence, does not allow for the emergence of a higher interest of European citizens embodied in the European Parliament. Moreover, it does not allow for quick decision-making, as unanimous compromise, by definition, arises from lengthy negotiations. Finally, a single state, representing even a small minority of European citizens, can prevent any decision.

For these reasons, not only unanimity should be overcome in all fields of European Union competence but the European Parliament should be fully involved in the decision-making process.²

² See, among others, P. Bursens, *Recalibration of Executive-Legislative Relations in the European Union. Strategies Inspired by the Trilemma of Democracy, Sovereignty and Integration*, in D. Fromage, A. Herranz-Surrallies (eds.), *Executive and Legislative (Im)balance in the European Union*, London, Hart Pub Ltd., 2020, pp. 19 ff.; G. Rossolillo, *Abolishing the Power of Veto. Voting System Reform in the Council and European Council*, *The Federalist*, 43 (2021), p. 63, <https://www.thefederalist.eu/site/index.php/en/documents/2507-abolishing-the-power-of-veto>.

2.2. *The Endowing of the Union with the Competences and Resources Needed to Provide Public Goods.*

To make the Union effectively exercise its competences, invest, and provide public goods that Member States can no longer ensure, its competences in areas such as environment, taxation, defense, health, industrial policy, social policy and energy must be strengthened, and the Union needs an adequately sized budget and the ability to autonomously and democratically decide on its resources.

This implies that the decision on the EU revenues be taken with the full participation of the European Parliament through an ordinary legislative procedure, without the ratification by the member States.

The strengthening of the European Union's competences and the possibility of raising revenues autonomously are necessary not only for the Union to provide internal public goods but also for its external security. A European defense, as recent events demonstrate, is needed. But a European army and a common security policy require resources, a common foreign policy, the development of a European industrial policy, and the creation of a government capable of making decisions in this area.³

2.3. *The Strengthening of the Rule of Law and Fundamental Rights.*

If the European Union wants to play a role in defending the value of democracy globally, it must first represent an example of democracy internally. Therefore, the respect for the rule of law and fundamental rights should be guaranteed in all Member States, introducing procedures that remove the Article 7 TEU procedure from unanimity-based intergovernmental mechanisms and grant powers to the Court of Justice.

2.4. *Concluding Remarks.*

The reforms outlined above are part of a coherent package to restructure the functioning of the European Union. They should, therefore, not be considered in isolation⁴ but rather in the context of a redefinition of the Union's mode of operation aimed at enabling it to take on

³ By the 1950s, the impossibility of creating an army without a political structure and a government to control it had resulted in the 1953 treaty establishing the European Political Community, which would stand alongside the treaty establishing the European Defence Community.

⁴ See T. Gierich, *How to Reconcile the Forces of Enlargement and Consolidation in "an Ever Closer Union"*, in T. Gierich, D.C. Schmitt, Z. Zeitmann (eds.), *Flexibility in the EU and Beyond. How Much Differentiation Can European Integration Bear?*, Baden-Baden, Bloomsbury Publishing, 2017, pp. 17 ff, p. 24.

a political form and the power to deal with the increasingly pressing challenges that threaten the integration process itself.

Addressing only some of the aspects mentioned and refusing to consider the need for a comprehensive reform of the Union would mean leaving crucial problems of our continent unresolved and giving up on creating a European Union capable of giving voice to and protecting the rights of its citizens.

3. How to Revise the Treaties: the Need for a Convention

3.1. *Why the Route of Using Simplified Revision Procedures Is Not Viable.*

The debate on the room for manoeuvre left to the Member States in choosing how to revise the Treaties dates back to the early years of the European integration process. As early as the 1960s, it has been considered the possibility of the Member States to amend the Treaties through an international agreement outside the framework of the founding Treaties of the ECSC and the EEC.⁵ On this point the Court of Justice has ruled in the *Defrenne*⁶ case in which, about the possibility that a resolution adopted by the Member States could modify the wording of Article 119 TEC on equal pay for male and female workers, it clearly stated that “the Resolution of the Member States of 30 December 1961 was ineffective to make any valid modification of the time-limit fixed by the Treaty. In fact, apart from any specific provisions, the Treaty can only be modified by means of the amendment procedure carried out in accordance with Article 236 [now Article 48 TEU]”.

As noted,⁷ the rule set out in the *Defrenne* judgment has been tacitly accepted by the Member States, which have always followed the procedures laid down in the Treaties when amending them.

If, in the Court’s view, the Member States, by joining the Union, have deprived themselves of the possibility of amending the founding Treaties using instruments proper to international law, the impossibility of deciding at their discretion which procedure to use to amend the Treaties applies *a fortiori* where it is the Treaties themselves that make

⁵ See H.J. Lambers, *Les clauses de révision des Traités instituant les Communautés Européennes*, *Annuaire français de droit international*, 7 (1961), pp. 583 ff., at p. 601 ss., and the authors cited therein.

⁶ Case 43/75, *Defrenne*, [1976].

⁷ B. de Witte, T. Beukers, *The Court of Justice approves the creation of the European Stability Mechanism outside the EU legal order*, *Common Market Law Review*, 50 (2013), pp. 805 ss., p. 826.

available to the Member States different revision procedures. This is the case with the current text of the Treaties, which provides for an ordinary revision procedure and two simplified revision procedures.⁸ The rationale for providing for different types of revision lies precisely in the fact that they have different scopes of application and follow procedures shaped by the type of amendments that can be made to the Treaties through them.⁹ Otherwise, the Treaties would have envisaged only one revision procedure.

In particular, since the use of simplified revision procedures is limited to hypotheses described explicitly in Article 48 (6) and (7) TEU and they, therefore, represent exceptions to the general procedure (the ordinary one), the provisions relating to simplified revision procedures must be interpreted restrictively¹⁰ and applied only in the hypotheses provided for therein.

3.1.1. *The Limits of the Simplified Revision Procedure of Art. 48 (6).*

On the only occasion on which the Court was able to rule on the use of a simplified revision procedure, the *Pringle*¹¹ judgment, this strict delimitation between the scope of the different revision procedures was confirmed. In fact, the Court carefully considered whether the amendment of Article 136 TFEU to allow the establishment of a European Stability Mechanism was validly based on Article 48 (6) TEU, the scope of which is limited to “proposals for revising all or part of the provisions of Part Three of the Treaty on the Functioning of the European Union relating to the internal policies and action of the Union”. And it concluded that, since the amendment only affected the field of economic policy, which is regulated in Part Three of the TFEU, the legal basis used was correct.

Going further into the examination of Article 48 (6), it is necessary to emphasize that this provision can only be used for the amendment of Articles 26 to 197 TFEU, and cannot extend the competences conferred on the Union in the Treaties. Concerning the procedure to be followed, it provides for a unanimous decision of the European Council, after consultation of the European Parliament and the Commission, and the

⁸ For a detailed explanation of these procedures see S. Peers, *The Future of EU Treaty Amendments*, Yearbook of European Law, 2012, pp. 20 ff..

⁹ According to S. Peers, *The Future of EU Treaty Amendments*, *op. cit.*, p. 26, the simplified revision procedures are not *lex specialis* as regards the ordinary revision procedure. As a consequence, the ordinary procedure can apply in cases covered by the simplified procedure as well.

¹⁰ See S. Peers, *The Future of EU Treaty Amendments*, *op. cit.*, p. 27; B. de Witte, T. Beukers, *The Court of Justice...*, *op. cit.* pp. 826 ff..

¹¹ Case C-370/12, *Pringle*, [2012].

European Central Bank in the case of institutional changes in the monetary area. This decision must be approved by the Member States in accordance with their respective constitutional requirements.

As regards the scope of this Article, it is limited to the provisions of Part Three of the Treaty on the functioning of the European Union. It covers, therefore, neither the provisions of the Treaty on the European Union (foreign and security policy, appointment of the European Commission, violation of the rule of law) nor the financing of the Union (Articles 310-312 are to be found in Part Six of the TFEU) nor the general and final provisions among which Article 353 TFEU, that rules out the transition to qualified majority decision-making in some issues, such as the financing of the Union.

This procedure is, hence, not applicable in the fields where a deep reform is most needed: foreign and security policy and defense to guarantee the external security of the European Union; the financing of the Union (in particular Art. 311 TFEU), which is a pre-condition for the exercise of all the European Union's competences; the appointment of the members of the European Commission; the strengthening of the rule of law through the overcoming of the procedure of Article 7 TEU.

Another very relevant limitation set in Article 48 (6) is that this provision "shall not increase the competences conferred on the Union in the Treaties," so it cannot serve neither the purpose of creating new Union's competences nor of upgrading a competence from a shared to an exclusive competence or from a supportive competence to a shared one.¹²

The consequences of this limitation on the possibility of using Article 48 (6) for the amendments of the Treaties cited above are very relevant. Letting aside the financing of the Union and foreign and defense policy, which are not included in Part Three of the TFEU, the possibility of strengthening the competences of the European Union in every field in which a more effective Union action would be required is totally banned by this provision, as it would be impossible to move from a shared to an exclusive competence in fields like environment and energy, as well as from a supportive to a shared competence in health, industry, employment, social policy.

3.1.2. *Passerelle Clauses.*

The second simplified revision procedure is governed by Article 48 (7), which provides for the so-called *passerelles*, one to move from unanimity to qualified majority in Council and the other from a spe-

¹² See S. Peers, *The Future of EU Treaty Amendments*, *op. cit.*, p. 40.

cial to an ordinary legislative procedure. Concerning the first one, according to the first subparagraph of the provision, “[W]here the Treaty on the Functioning of the European Union or Title V of this Treaty [TEU] provides for the Council to act by unanimity in a given area or case, the European Council may adopt a decision authorizing the Council to act by a qualified majority in that area or in that case. This subparagraph shall not apply to decisions with military implications or those in the area of defense”. As regards the second, in its second subparagraph Article 48 (7) states that “[W]here the Treaty on the Functioning of the European Union provides for legislative acts to be adopted by the Council in accordance with a special legislative procedure, the European Council may adopt a decision allowing for the adoption of such acts in accordance with the ordinary legislative procedure”. The initiative can be taken only by the European Council. It shall be notified to the national Parliaments, who can make known their opposition within six months of the date of such notification. The European Council may adopt the decision only after the approval by the European Parliament and in the absence of opposition by national Parliaments.

Like Article 48 (6), Article 48 (7) has a limited scope of application, with a difference between the first and the second subparagraph of the provision. Article 48 (7) actually excludes decisions “with military implications or those in the area of defense” only from the scope of its first subparagraph (move from unanimity to qualified majority). This difference, however, loses much of its importance if one considers that in the field of foreign and security policy, according to Article 24 TEU, “the adoption of legislative acts shall be excluded,” so in this area, the move from an ordinary to a special legislative procedure provided for in Article 48 (7) second subparagraph cannot apply.

As concerns both subparagraphs of Article 48 (7), moreover, according to Article 353 TFEU, they shall not apply to Articles 311, third and fourth paragraph¹³ (decision on own resources), 312 (2), first sub-

¹³ Art. 311 TFEU, third and fourth paragraph: “3. The Council, acting in accordance with a special legislative procedure, shall unanimously and after consulting the European Parliament adopt a decision laying down the provisions relating to the system of own resources of the Union. In this context it may establish new categories of own resources or abolish an existing category. That decision shall not enter into force until it is approved by the Member States in accordance with their respective constitutional requirements. 4. The Council, acting by means of regulations in accordance with a special legislative procedure, shall lay down implementing measures for the Union’s own resources system in so far as this is provided for in the decision adopted on the basis of the third paragraph. The Council shall act after obtaining the consent of the European Parliament”.

paragraph (Multiannual Financial Framework), 352 (flexibility clause) and 354 TFEU (calculation of the majority in relation to the decisions referred to in Article 7 TEU).

Looking back at the reforms that the European Union would need, the simplified revision procedure of Article 48 (7) cannot apply to decisions in the fields of defense and the financing of the Union and would have no relevance for the strengthening of the mechanism of protection of the rule of law embodied in Article 7 TEU. One of the amendments that would make this provision more effective concerns actually the overcoming of unanimity not in the Council but in the European Council.

This last remark concerning Article 7 TEU leads us to another clarification concerning the scope of Article 48 (7). When providing for the possibility of moving from unanimity to a qualified majority, Article 48 (7) subparagraph 1 refers to the Council and not the European Council. Therefore, the activity of the European Council is out of the scope of both subparagraphs of Article 48 (7): of the first because of the limitation of this provision to the decision-making of the Council; of the second because it concerns legislative procedures and the European Council “shall not exercise legislative functions”.¹⁴

The exclusion of the activity of the European Council from the scope of Article 48 (7) is relevant also as regards the possibility to use Article 48 (7), second subparagraph, for the amending of the provisions concerning foreign policy that do not have military implications. Actually, in this area it would be possible to apply the second *passerelle* to move from unanimity to qualified majority in Council’s decisions. However, even in the field of foreign policy, the European Council plays a pivotal role, and every decision of the Council finds its roots in a position statement of the European Council. The moving of the decision-making of the Council from unanimity to qualified majority would change in a limited way the fact that foreign and security policy is an area in which the unanimous consent of the 27 Member states is still required.

As regards the other fields of EU law on which the simplified revision procedure of Article 48 (7) could impact, in these cases as well the procedures at issue would not allow the improvements needed. Indeed, in the fields of health, environment, energy, employment, social policy, the Treaty provides for legislative procedures, therefore the possibility to move from unanimity to qualified majority does not come to the

¹⁴ Art. 15 TEU.

fore. Moreover, decisions are already taken mainly through an ordinary legislative procedure¹⁵ and, when a special legislative procedure is foreseen, special *passerelle* clauses are provided,¹⁶ so that the second subparagraph of Article 48 (7) is not needed.

The only relevant provision on which this procedure could impact is Article 113 TFUE concerning the harmonization of legislation on turnover taxes, excise duties and other forms of indirect taxation. It is however worth noting that, despite the fact that the possibility to move to an ordinary legislative procedure in this field has been very much discussed, this decision has never been taken.

The same consideration applies to the special *passerelles* clauses, like the ones cited above, provided for by the Treaties in certain specific hypotheses.¹⁷

Now, these *passerelles* have never been used, despite providing an easier path than the one traced by Article 48 (7) (there is no possibility for national Parliaments to object). The reason is that their use as a stand-alone item by the European Council cannot be accepted by the Member States that consider themselves as ‘losers’: the moving from unanimity to the qualified majority and from the special to the ordinary legislative procedure is conceivable only in the framework of a comprehensive reform that would in a way ‘compensate’ the loosening of power of a single State.

3.2. *The Impossibility to Revise the Treaties Through Article 49 TEU.*

As concerns the possibility, envisaged by some, of using Article 49 TEU as a tool for revising the Treaties on the occasion of the accession of new member States, the demarcation between the fields of application of Article 48 (2-5) and 49 TEU is even sharper. If the dividing line between the ordinary revision procedure and the simplified revision procedures concerns provisions of the TEU aimed at the same objective (the amendment of primary provisions of EU law), the relationship between Article 48 TEU and Article 49 TEU concerns provisions with different purposes. As pointed out, the former is aimed at revising the Treaties, whereas the latter is aimed at the accession of new member states to the Union.

This difference is decisive. Even though there are similarities be-

¹⁵ In these areas the limit for a European Union action is due to the lack of exclusive or shared competences, and not to the legislative procedure envisaged.

¹⁶ See Art. 153 (2), subparagraph 5, TFEU; Art. 192 (2), subparagraph 2, TFEU.

¹⁷ Articles 31 (3) TEU, 81 (3) TFEU, 153 (2), subparagraph 5, TFEU; 192 (2), subparagraph 2, TFEU; 312 (2), subparagraph 2 TFEU, 333 TFEU.

tween the procedures laid down in the two provisions above (Articles 48 (2-5) and Article 49 TEU),¹⁸ both of which rely on the unanimous consent of the member states and ratification by the member states in accordance with their respective constitutional requirements, the fact that the drafters of the Treaties distinguished between the revision procedure and the procedure for the accession of new states inevitably leads to the conclusion that a revision of the treaties cannot rely on Article 49 TEU, just as the accession of new Member States cannot find its legal basis in Article 48 TEU;¹⁹ and that the possibility of adapting the text of the Treaties provided for in Article 49 TEU only concerns adaptations directly resulting from the increase in the number of member states.

The impossibility of using Article 49 TEU as a legal basis for revising the treaties on the occasion of enlargement to new Member States is clearly confirmed by the literal wording of this provision. As highlighted above, according to Article 49, an agreement between the Member States and the applicant State lays down the conditions for admission “and the adjustments to the Treaties on which the Union is founded, which such admission entails”.

The first consideration is that while Article 48 TEU refers to ‘amendments’ of the Treaties, Article 49 uses the much more limited term ‘adjustments’.

An indication of the meaning to be given to this expression follows from some rulings²⁰ of the Court of Justice, concerning provisions of the Acts of accession of new Member States allowing the Council to adopt measures to make ‘adaptations’ of these Acts which may prove necessary. Concerning the interpretation of the expression ‘adaptations’, the judgment *Poland v. Council*²¹ states that “the Court has already ruled on the meaning of ‘necessary adaptations’ in the context of acts of accession, holding that the adaptation measures provided for by such acts, as a general rule, authorize only adaptations intended to render earlier Community measures applicable in the new Member States, to the exclusion of

¹⁸ See S. Peers, *The Future of EU Treaty Amendments*, op. cit., p. 48.

¹⁹ See P. 6 Broin, *How to Change the EU Treaties. An Overview of Revision procedures under the Treaty of Lisbon*, CEPS Policy Brief, October 2010, p. 6.

²⁰ Case C-413/04, *European Parliament v. Council*, [2006], paras 31-8; case 414/04, *European Parliament v. Council*, [2006], paras 29-36; Case C-273/04, *Poland v. Council*, [2007], paras 46-49. On the meaning of these rulings see N. Idriz, *Legal Constraints on EU Member States in Drafting Accession Agreements*, Berlin, Springer Nature 2022, pp. 178 ff..

²¹ Case C-273/04, *Poland v. Council*, [2007].

all other amendments”.²² Since in the other language versions²³ the provisions of the Acts of accession and Article 49 TEU use the same words to define the adaptations allowed as a consequence of the admission of new States, the very restrictive meaning of the expression ‘adaptations’ coming out from the rulings concerning the Acts of accession should also apply to the expression ‘adjustments’ of Article 49 TEU.²⁴

The need to interpret restrictively the possibility of amendments to primary law resulting from the Act of Accession of new States also emerges from the Court of Justice’s case law concerning the possibility of granting derogations to the individual Member States functional to accession. Indeed, as stated in the *Apostolides*²⁵ judgment, “provisions in an Act of Accession which permit exceptions or derogations from rules laid down by the EC Treaty must be interpreted restrictively with reference to the Treaty provisions in question and be limited to what is absolutely necessary in order to attain its objective”.

Finally, it is the very expression adjustments ‘which such admission entails’ that indicates a necessary causal link between accession and adjustments to the text of the Treaties and thus makes it clear that the admitted adjustments are only those that result, in a way, *automatically* from accession, such as an increase in the number of members of an institution to ensure that the new States are also represented – and in the absence of which the acceding states would not be parties to the Union’s legal order for all intents and purposes.

The practice of the successive accession agreements from 1972 to the present day only confirms this, since the adaptations to the Treaties that they have brought about have always been limited to introducing only the technically necessary adjustments for the accession of new states, without affecting other treaty provisions, which were instead amended before or after accession²⁶ using the revision procedure now provided for in Article 48 (2-5) TEU.

²² Case C-273/04, *Ibid.*, para 46.

²³ See the French (adaptations), German (Anpassungen), Spanish (adaptaciones), Italian (adattamenti), Dutch (aanpassingen), Portuguese (adaptações) versions of Article 23 of concerning the conditions of accession of the Czech Republic, the Republic of Estonia, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Republic of Hungary, the Republic of Malta, the Republic of Poland, the Republic of Slovenia and the Slovak Republic and the adjustments to the Treaties on which the European Union is founded and Article 49 TEU.

²⁴ See N. Idriz, *Legal Constraints on EU Member States*, cit, p. 175 ff..

²⁵ Case C-420/07, *Apostolides*, [2009], para 35.

²⁶ See, among others, I. Goldner Lang, *The Impact of Enlargement(s) on the EU Institutions and Decision-Making. Special Focus: Croatia*, in *Yearbook of European Law* 31 (2012), pp. 473 ss..

4. Conclusions: the Need for a Convention to Ensure a Deep and Democratic Reform

As underlined above, neither the simplified procedures of Article 48 (6) and (7) TEU, nor the accession procedure of Article 49 TEU would allow to introduce into the Treaties the changes that are needed to equip the European Union with the necessary tools and powers that are needed

There is however another crucial reason why the ordinary revision procedure of Article 48 (2-5) is the only viable way to follow: the need to guarantee democratic participation.

If we look at the ordinary revision procedure, since the Lisbon Treaty, on the one hand, the European Parliament can submit to the Council draft amendments to the Treaties; on the other hand, Article 48 (3) provides for the convening by the President of the European Council of a Convention²⁷ composed of representatives of the national Parliaments, the heads of state or government of the Member states, the European Parliament and the Commission. Even though the Convention only has the power to adopt a recommendation to be sent to the Intergovernmental Conference, the representatives of the European Parliament (and of the national Parliaments) can, therefore, intervene in the content of the revision, making the text resulting from the Convention the product not of a mere intergovernmental negotiation, but of a process in which the representative body of the European citizens is also able to express its opinion.

Neither the two simplified revision procedures nor Article 49 TEU provide such democratic participation.

According to Article 48 (6), TEU, the European Parliament is only consulted and, therefore, has no say on the content of the reform, and its opinion is not binding²⁸. A greater involvement of the European Parliament (approval of the decision of the Council) and of the national Parliaments is instead provided for by Article 48 (7), but the European Parliament has no power of initiative in this case. Eventually, the accession procedure in Article 49 TEU provides that the Council's decision

²⁷ The European Council can decide, by simple majority, not to hold a Convention, "should this not be justified by the extent of the proposed amendments". Due to the coherent and general reform proposed by the European Parliament, the possibility not to convene a Convention should be excluded.

²⁸ See S. Peers, *The Future of EU Treaty Amendments*, cit., p. 36, according to which not necessarily the simplified revision procedure of Article 48 (6) is quicker than the ordinary one.

on the admission of a new State is taken “after receiving the consent of the European Parliament”, so that the latter will not influence the content of the Act of Accession and the ‘adjustments’ of the treaties this Act provides for. The difference with the ordinary revision procedure, which entails a high degree of democratic participation, as members of the European Parliament (and of national Parliaments) take part in the Convention and therefore have the possibility to shape the content of the Treaty revision, is self-evident.

Pursuing the route of a simplified revision procedure or Article 49 TEU, would have thus the sole purpose of circumventing the convening of a Convention (and thus of affecting the participation of the European Parliament in the process) and of emptying of their content the reform proposals that emerged from the Conference on the Future of Europe and were endorsed by the European Parliament, making it impossible to reform the Union in a way that makes it responsive to the needs of citizens.

Thirty Years Ago

EUROPEAN CITIZENSHIP AND POST-NATIONAL IDENTITY

The Maastricht treaty has introduced the concept of European citizenship into the Community's legal system. This issue may at first appear simply symbolic, but in reality it has major historical significance and numerous important political and cultural implications. From the time of the French revolution, citizenship has represented the individual's membership of a people. As such, on the one hand, it evokes the idea of popular sovereignty, and hence the citizen's possession of certain political rights deriving from it; and on the other, it identifies the political community to which the citizen belongs, and thus is historically associated to *nationality*.

This innovation of the Maastricht treaty highlights two crucial problems that the Community will be obliged to tackle. First, European citizens do not enjoy the most basic of democratic rights: that of selecting and controlling the men and women who govern them on a pan-European scale. Second, is the separation between the ideas of citizenship and *nationality*.

The strength of the idea of the nation is its capacity to provide its members with a sense of *identity*. It remains true that this sensation is based on a falsification, since the bonds which make a nation are ideological bonds. In the same way it is true that the idea of the nation throughout history has been frequently affirmed by violence, which has been used to suppress pre-existing natural identities, such as those local and regional ones that are based on personal intercourse and communal memory. This does not alter the fact that the nation, despite its artificiality, is a strong cohesive element between citizens; so much so as to give

* This editorial was published in *The Federalist*, 35 n. 1 (1993), p. 3.

rise to a specific historical form of statehood, that of the *national state*. But nowadays, this form of the state is undergoing a crisis as regards the principle on which it is based, and is on the point of being superseded in a larger framework, with the conclusion of a historical process that has lasted decades, but which has recently, with the European Community, started to give rise to an increasingly articulated institutional framework. Maastricht represents a significant stage in this process (whatever the result of the ratification process in Great Britain and Denmark). Today, therefore, the issue of a *post-national identity* is posed in explicit terms.

It is worth noting that this issue is not only a European one. The nation is also undergoing crisis in the United States. There, the potent unifying factor which derived from the idea of the *melting pot*, and was closely linked to a phase of American history in which immigrants were able to benefit from practically unlimited opportunities for economic success and hence social integration, now risks collapsing in the face of disruptive pressure that has been brought on by the historical tendency of development to slow down. Enormous pockets of poverty have been created, which mainly involve (apart from a significant portion of black Americans) Hispanics and other minorities, especially those who have recently settled in America. This situation has caused a crisis of the American identity, and sparked off a series of moves to rediscover original identities, often forgotten and frequently completely fictitious (as for black Americans' claims to an African identity; which, in reality, has been completely obliterated by centuries of separation from their continent of origin, and which never existed as a unitary factor even at the time of the slave trade).

Thus even the US is in a process of separation between the ideas of nationality and citizenship. Moreover, in this case the phenomenon assumes an exclusively disintegrative character, since it puts in danger the basic consensus which constitutes support for the democratic order, without providing a substitute for the mode of social co-habitation that has made the greatness of the American way of life. The situation in Europe is different. It is clear that also in Europe one of the factors contributing to the crisis of the nation are the separatist pressures within the national states, or, at least, the weakest ones (even if the groups that work to such ends use the idea of the nation in turn to dress up political movements whose real nature is simply tribal; thereby rendering the content of the idea of the nation even more obscure and contradictory). But in Europe the specific terms in which the issue of a post-national identity is posed are not the disintegration of existing states, but rather the opposite, that of

their supersession within a larger European dimension. Hence the debate on this subject in Europe represents a significant coming-of-age, the outward sign of the adaptation of the collective conscience and the conceptions through which it is expressed, as new modes of social co-habitation emerge, based on the overcoming of old barriers, on a dialogue between cultures and on a widening of the scope of solidarity.

Throughout this debate there exists a widespread understanding that in the era of the global village, the myth of the nation has now completed its historical course, and that its devastating revival in the ex-Communist countries represents nothing more than its death throes. Likewise, there is a widespread appreciation of the fact that no other myth will be able to take its place. Clearly, however, the European federation will be born as a sovereign state in a world of sovereign states, and this will tend to create an embryonic sense of "national belonging" in its citizens. But this sentiment will be weak, since it will be based on an ideology which has been overtaken by historical events, and which moreover is totally incompatible with the social and cultural reality of a pluralistic people, such as Europeans are. Neither will a European federation be able to disavow the profound historical significance at its foundation, which will be precisely the overcoming of the national principle and of its historical embodiment in the national state.

On the other hand, the sole fact of the continual enlargement of the range of mankind's interdependence, which is the material basis of the crisis of the national state, is not in itself sufficient to create a sense of solidarity, which represents the glue of every functioning state community. It is sufficient to recall how the strong degree of interdependence between the various Yugoslavian republics, and the resultant interest of all Yugoslavian citizens in maintaining the federal structure intact, was no effective hindrance to dissolution under pressure from a demagogic and violent minority. The cohesion of every state structure must therefore be safeguarded, above and beyond the necessary patterns of interdependence and material interests, by a sense of belonging to a community which is felt to have *legitimacy*.

Hence, in a post-national world the problem of determining a new legitimacy is posed; one which can provide the basis for a sense of belonging to state entities whose unity is no longer guaranteed by the bond of nationhood. The fact that the overcoming of the exclusive nation will revive a currently forgotten sense of local and regional soli-

darity is not the answer to this problem, since such a sense of solidarity will only be an enrichment of democratic life if it is expressed within a supranational state framework; while it will encourage disorder and disintegration if it takes on the attributes of sovereignty. The problem of the new legitimacy therefore is that of identifying a suitable bond that can guarantee the unity of the global political framework.

Such a bond, if it is true that the myth of the nation is now in decline and cannot be substituted by another myth (and granted that the decline of the nation will not lead to the return of general violence in a state of nature), will by necessity have a rational foundation. Habermas claimed to have identified it in what he termed "constitutional patriotism", by which he meant the sense of common belonging that should unite citizens who recognise that the great values of democratic co-habitation (in relation to the prevailing stage of civilisation's development) have been enshrined in the material constitution of their state. This represents therefore a loyalty which is not required of citizens due to their membership of a community whose legitimacy rests on the fact of being considered "sacred" or "natural": but one which is freely matched to an institutional system that realises rational values recognised as having universal validity.

But in reality the formula of constitutional patriotism, if the ultimate implications of it are not made clear, is not a satisfactory response to the problem of a post-national identity. It denotes the bond which should exist, and which sometimes actually does exist, between the citizens of a particular state (which they find themselves to belong to by birth); and which is based on mutual loyalty, freely and rationally matched to their institutions by virtue of their democratic character. But, in contrast to nationhood, this formula provides no criterion to legitimise the size and borders of a state. And given that the size and borders of a state are not neutral with respect to democracy, the formula of constitutional patriotism undergoes crisis when a contradiction between the former and the latter is revealed; thus putting into question the political community itself.

This is what is happening in Europe, where democracy is undergoing crisis precisely because of the national dimension. The formula of constitutional patriotism does not provide an answer to the problem of the new size of the political community within which citizens must pledge loyalty to the state and through this feel a sense of mutual soli-

darity. It is true that there does exist a broad consensus that the political framework which will allow (at least in an initial stage) the overcoming of the identification of state with nation will be one in a European context. But the borders of the future European federation are structurally undefined. The European federation of tomorrow could include only a part of the actual members of the Community, or the Twelve, or exist as a broader structure of indeterminate size, possibly extending to parts of the CSI and even to some countries of North Africa and the Middle East. The most realistic forecast is that it will be born within a restricted area and will tend to grow gradually.

But it is important to point out that whatever size the federation may be during any of the stages of its creation and development, its borders will never be "natural" nor "sacred". Rather, its borders will remain arbitrary, that is they will be the result of chance historical events, and will never correspond to a territorial area defined (however imperfectly) by a principle of legitimacy that is as strong as the national principle; by virtue of which it is considered natural that the territory of France belongs to France, and that of Italy to Italy.

The European federation will be born out of a negation; the negation of sovereignty. As long as the federation remains limited to a region of the world, and is therefore in its turn a sovereign state, it will be intrinsically illegitimate as a consequence. Or rather, it will enjoy a provisional legitimacy, indispensable for guaranteeing its cohesion, only if it proves capable of expressing through its actions in world politics, its mission to promote the process of unifying all the peoples of the world within a cosmopolitan federation; whatever path history may take in order to attain this objective. Besides, if it is true that a post-national identity can only have a rational foundation, then the political community to which it refers can only be universal; just as the rules of reason are, which are not valid for one people or another, but for the entire human race. In the same way democracy, which is the foundation of constitutional patriotism, can only be imperfectly realised in the context of a sovereign state, since it is constrained by international anarchy to obey the rationale of power politics and to violate the rule of law. Democracy will only be completely fulfilled in a federal world political structure. For this reason, if constitutional patriotism is not given substance by an active cosmopolitan mission, it will be unable to guarantee the federal unity of Europe without being corrupted. According to the particular

circumstances, constitutional patriotism will become patriotism tout court (even if very weak, since the overcoming of the nation is irreversible), or it will lose completely its unifying strength, leaving the field free for the forces of disintegration.

European citizenship is therefore the forerunner of world citizenship, and as such poses the problem of cosmopolitan identity, which unites men solely on the basis of the mutual respect which they owe each other as beings endowed with reason, and which in the final analysis underpins all the great values of social co-habitation. A World federation is the only definitively legitimate political community. Only by working on the basis of this understanding will federalists be in a position to elaborate effective tools for analysis and action in their struggle for the indispensable intermediate historical objective of a European federation.

The Federalist

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