

Steps towards political union

European Federation or Federation of European States

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Jean Monnet's strategy of integration sector by sector ultimately leading to political union has reached the end of the line. The crisis has reversed the process triggering a downward spiral movement (domino and contagion effect). *Spillover* has swung dramatically towards *spillover*.

One thing has become blatantly clear to the leaders, the Member States and the people of Europe: the very survival of the euro, the Eurozone and indeed the whole of the European Union is at stake. Since the first coins were minted, no currency has existed and survived without political sovereignty. If the euro is not to disappear it is in urgent need of a political framework, a political armature, in other words a European Federation. Steps towards reaching this goal must be taken as soon as possible by at least nine Member States, in accordance with *enhanced cooperation*.

First phase

I. Reversion to the community method within the Eurozone

It is paradoxical that the Eurozone functions according to the intergovernmental method while representing a *pioneer federative core*¹. In this respect, the vanguard is lagging behind the Lisbon Treaty. Consequently, the Eurozone must urgently revert to those mechanisms and processes of the European Union which were adapted to include it.

This reversion can be achieved in the following manner:

- a. Through the *conclusions of the European Council* in following the example of their decision which established the Eurozone Summit.²
- b. Should this process of reversion entail elements too advanced to fall within the remit of the European Union, it would be advisable to exercise *enhanced cooperation*³.

¹ The author has chosen to use italics.

² Ref. EUCO 23/13, Conclusions of the European Council of 14-15 March 2013.

Second phase

II. Progression towards political federal union (European Federation or Federation of European States)

In the present circumstances, the path towards political union in Europe lies through the Eurozone. Today it is within this federative core that there is an urgent need for a federal framework. Therefore it is up to the Eurozone and the European Commission to prepare the groundwork as soon as possible and initiate negotiations between the 18 Member States, while leaving the door open to other EU Member States.

This opinion and recommendation are based for the time being on an analysis of the position and proposals of the principal actors in the Eurozone, namely Chancellor Merkel, President Hollande and the Head of the Italian Government, President Letta. We can observe a certain convergence of opinions subject to slight differences in the degree of commitment towards a political federal union. These political leaders use a variety of different terms : political union, European Federation, Federation of European States, United States of Europe, and in certain cases, European Government or Economic Government. The latter cannot be suspended in space. It needs to function according to the community method and be an integral part of a political union.

1. Brief summary of President Hollande's point of view

In his speech to the European Parliament on 5th February 2013 the French President addressed the European MPs⁴ « as the representative of a nation which has linked its destiny to that of Europe and which still bears a special responsibility today. I address you as a political leader whose belief in Europe has guided his commitment. I address you as a head of state who has made the reorientation of Europe central to his action... ».

After referring to the Nobel Peace Prize awarded to the Union, President Hollande stressed Europe's slowness to respond faced with major decisions : « ...it takes too long to make

³ Cf. author's article "The functioning of the Eurozone within the framework of the European Union", *Federalist Debate*, Number 1, March 2013.

⁴ Speech by the President of the French Republic to the European Parliament, Strasbourg, 5th February 2013.

major decisions, decisions that are expected, hoped for; and *it spends too little time reflecting on its direction and its overall architecture*. Europe prides itself on being a major market, but it fails to defend it in the face of unfair competition. It allows its currency, the euro, to be vulnerable to irrational trends in one direction or another. Lastly, Europe is a continent where growth is too weak, where mass unemployment reflects the depth of the crisis, which is not, as has been said, a short-term transition but a major transformation. »

While recognizing the progress that has been made (budgetary discipline, the *six-pack* and the *two-pack*, as well as the creation of the European Stability Mechanism and the enlarged role of the European Central Bank), he called for the next stage of the coordination of national economic policies : « The time has come to launch the major project of deepening Economic and Monetary Union; France is ready for this. It has two principles: integration and solidarity. Integration means defining shared objectives, harmonizing fiscal policies, bringing in structural reforms to make our economies stronger, as well as common policies on infrastructure and research. Integration means us having new financial instruments in order to launch innovative projects in the areas of new technologies, renewable energies, and energy and ecological transition. And since we're for integration, we are for solidarity, since you can't have one without the other. [...] From this viewpoint, the European Parliament has paved the way. You've gone beyond political sensitivities and floated the idea of common borrowing; I daren't say Eurobonds, but you've imagined what the very terms integration and solidarity could be.»

« Our position, France's position, boils down to four principles. The first principle is a level of spending that maintains the common policies: firstly the Cohesion Policy, which finances the essential investments, not only for the beneficiary countries but for the whole of Europe, which benefits from it in terms of growth. [...] My second principle is that the budget, the Financial Framework that must be proposed, must build on the Growth Compact adopted last June. [...] My third principle is that the budget must support the most vulnerable Europeans and those most exposed to the crisis. [...] Finally, the last principle I'll uphold in the forthcoming negotiation is a system of resources that is fairer and more transparent. [...] Europe can't make do with being a market, a budget, a currency - invaluable though these instruments are. Nor can it be just a collection of treaties, a set of rules - necessary - for living together. [...] I believe it legitimate to work on a new EU architecture. I'm pressing the case for a differentiated Europe - to use Jacques Delors' expression; it wouldn't be a two-speed

Europe, which incidentally would quickly become an unequal Europe or a divided Europe; it isn't an à la carte Europe either. No, a differentiated Europe is a Europe in which States - not always the same ones - decide to forge ahead, embark on new projects, release funding and harmonize their policies, beyond the substantial core - which must remain - of common powers. It's this approach which allowed us to make borders a thing of the past with Schengen, create a single currency with the euro and introduce the financial transaction tax. This approach is a path to *enhanced forms of cooperation*, one open to everyone, everyone who wants to take part in them, and one day able to bring us together around these principles. In this Europe, the European Parliament will have a major role to play, because through its control it will ensure overall coherence.

I also want to make Europe more transparent, I've argued in favour of budget, fiscal and social integration - this has happened. It calls for a *political union that's stronger* - otherwise it is hemiplegic -, which means a *Euro Area government* and new financial instruments for taking action, and a *budget* - under certain conditions - for the Euro Area coordinated with the European Union budget. All this being controlled by the European Parliament and the national parliaments.»

The following paragraph is significant : it refers to a *stronger political union* and a Euro Area government which is not only economic. This is the highlight of President Hollande's speech which may be clarified during preliminary discussions and confirmed during negotiations.

« In this worldwide redistribution of power, we must leave no doubt of Europe's determination to support these values. But, here too, we must accept the consequences, with the clear-sightedness that is essential for *developing a strategy* to conduct a *genuine common foreign policy*, to have a *European defence*. France stands ready. Here too, it is time to end piecemeal initiatives and pool our forces and resources, to bring our industries closer together and also harmonize our positions in international bodies in which Europe must speak with one voice and act to resolve the conflicts that offend human consciences.»

2. Brief summary of Chancellor Merkel's standpoint⁵

While still insisting on greater budgetary discipline and deepening of economic integration, the Chancellor has softened her position which had been considered too rigid at the beginning of the crisis and emphasized the need for a political union: « My vision is one of *political union* because Europe needs to forge its own unique path. We need to become *incrementally* closer and closer, in all policy areas. » She described the new architecture of a new Europe in which the European institutions take precedence over the Member States (what about the German Constitutional Court in Karlsruhe?)

She considers that « Over a long process, we will transfer more powers to the *Commission, which will then handle what falls within the European remit like a government of Europe*. That will require a strong parliament. The Council of Heads of State or Government will be a kind of Second Chamber. And finally, the supreme court will be the European Court of Justice. That could be what Europe's political union looks like in the future, some time in the future and after a good number of interim stages. »

These few quotes demonstrate that the Chancellor is in favour of a European political union. It is only logical that this union and its institutions should have primacy over the Member States. It is indeed significant that following the example of the programme put forward by Lammers and Schäuble in 1994, the Chancellor is in favour of transferring powers to the Commission, which will have the role of a European government. On the other hand, it is hardly logical to turn the Heads of State or Government, in other words the European Council, into a Second Chamber. Instead, a reconstituted Council of Ministers should form a European Senate, thereby introducing a separation of powers between the legislative Council and the governmental Council. This idea improvised by the Chancellor deserves careful consideration. Particularly since, in my opinion, the European Senate which constitutes the other component of the legislature, could be made up of Ministers or State representatives appointed by governments along with representatives chosen by the Parliaments and upper Chambers of the Member States. Eventually, this institutional configuration could be supplemented by a regional, metropolitan or municipal Senate.

⁵ Interview of German Chancellor by six major European newspapers, 25th January 2012 : <http://www.guardian.co.uk/world/2012/jan/25/angela-merkel-greece-financial-meltdown> .

Moreover, in the same interview, Chancellor Merkel admits that the crisis had forced the 17 countries which share the single currency to forge closer political and economic ties. This is an example of the principle of enhanced cooperation when put into practice.

With regard to *eurobonds*, an idea which she has been categorically opposed to right from the start, she admitted that she was nevertheless open to this eventuality in the long term *at the end of an extensive process of economic and political integration* : « Eurobonds will not do as a means to resolve the current crisis. Shared liability is something we will only be able to contemplate once the EU has achieved much greater integration. » In other words, she defines greater integration as a prerequisite for considering recourse to eurobonds. Political union of Eurozone countries as well as other Member States is a precondition for the possible introduction of eurobonds.

3. Brief overview of the point of view of the Italian Prime Minister Enrico Letta⁶

One of the main points which emerges from his speech is the determination of his government to continue to stabilize public finances while at the same time pursuing measures to stimulate growth. Europe should return to being a motor of sustainable development. Just as President Hollande had mentioned in his speech, he maintains that Italy's fate is closely intertwined with that of the European Union. Two destinies united as one. Immediately after taking office, he visited Brussels, Berlin and Paris to give a sign without delay that his government is « a European and Europeanist government ». The response to the crisis should therefore be *greater integration, moving towards a federal Europe*. Otherwise, the cost of non-Europe, the weight of failed integration, just like the risk of monetary union without a political and banking union, would become unbearable.

In the last part of his speech about « new Europe », he calls to mind the EU's contribution to the creation of a *peace area*. In his opinion, the Nobel peace prize is not yesterday's news. « Europe is not a thing of the past, but a journey on which we have all embarked heading towards the future. Europe is the *political area* which rekindles the hope which inspired our society during the period of post-war reconstruction. It also represents the political area which enables us to put an end to wars due to stereotypes, mistrust and timidity. Europe is our

⁶ Speech to the lower house of Parliament, 29th April 2013 (translated by me).

journey. Its history is not written against our will. It is written by us. The horizon is European. Imagining Italy without Europe is in effect to weaken our sovereignty ».

Today as we struggle to overcome unemployment and inequality and to defend and promote our rights, Italy's demands cannot be separated from the solutions provided by Europe. He goes on to mention the need to knock down the wall dividing the North from the South of the continent, similar to the divide between Northern and Southern Italy.

He maintains that the port towards which we are travelling is the *United States of Europe* and our ship is called « Democracy ». We have the right to dream of a political union and it is our duty to make this dream clearer. We can have a more unified Europe provided that there is greater democracy : through the European parties, through direct election of the President of the Commission, as well as through a bold and tangible track record these dreams can be made to come true.

Like President Hollande, Prime Minister Letta stresses the *external challenge*. Italy lives in an ever larger world, characterised by the arrival of new emerging powers which are changing the global balance. Faced with giants such as China, India and Brazil, European States do not have any other choice than to develop a common policy to obtain the critical mass required to interact with these new actors and to influence global processes. Which implies a new task for the CFSP and CSDP. In conclusion, as in the past Italy commits itself to a European federation equipped with an essential set of sovereign powers.

Comments on direct election of the European President

It is impressive to see that several European leaders recommend direct election of a European President or, in the specific case of Prime Minister Letta, of a President of the European Commission. Wolfgang Schäuble has also been known to publicly advocate direct election of an EU President, as for example in the speech he gave on receiving the Charlemagne Prize, as have certain Commissioners such as Viviane Reding and Michel Barnier. This idea put forward a long time ago and which was once defended by François Bayrou, should not remain

an improvised concept but is worth in depth analysis.⁷ This also implies that those advocating this idea have previously considered the consequences of the election of a President of the European Union or a President of the European Commission⁸.

What conclusions should be drawn from this overview ?

The idea of a European Federation or a Federation of European States has been put forward by the President of the Commission. However, without advocating direct election of a President of Europe or of the Commission, José Manuel Barroso readopts the proposal to choose presidential candidates according to the results achieved during the European Parliament elections.

With the exception of the French President who does not go as far as to propose a United States of Europe or a European Federation, the public announcements made by the three other political leaders reveal a much clearer stand on the subject.

The first step is to develop *more structured proposals* for a Federation of European States. These proposals should be both clear and intelligible enough to be the subject of a public European debate during the European elections campaign in 2014. This has been promised by President Barroso.

Any future discussions drawing on the federative core represented by the Eurozone should be inspired by *negotiation characterised by synergy* and a win-win approach, in the same spirit as it was experienced during the drawing up of the Single European Act. These negotiations led to a domino effect which was both dynamic and positive : the positive proposals put forward by the different States avoided ending up with the lowest common denominator ; on the contrary, this input played a substantial part in enhancing the project. This was particularly true of the proposal by Denmark which led to the addition of a chapter on social policy. Unlike the « package deals » which correspond to a levelling downwards, the negotiations were driven by a synergy which triggered off a *cumulative process*, an *escalation procedure* which led to maximum results in all the sectors involved.

⁷ This idea was first evoked by the UDF party President François Bayrou in the early 2000's. Cf. Dusan Sidjanski. *The Federal approach to the European Union or the quest for an unprecedented European federalism*, Foreword by Jacques Delors, Notre Europe, 2001, p.61.

⁸ See appendix for my opinion on this subject.

During these talks coordinated by Emile Noël, another significant example was the acceptance by all Member States - including Great Britain and Denmark who at first had been reluctant – of the institutional reforms demanded by the Benelux countries, in exchange for the internal market which had been largely favoured by these two Member States. This is an excellent example of a negotiation process in the form of positive contagion.

If we attempt at the same time to reproduce negotiation characterised by synergy within the Eurozone, we could draw on the viewpoints mentioned, in particular the attitude of France concerning eurobonds in relation to the prerequisite put forward by Germany of greater integration, or even political union. France might be able to succeed in introducing eurobonds by accepting a more integrated political union with increased powers. A strong sense of solidarity, that is to say politically speaking within a Federation of European States, would facilitate the implementation of measures and instruments which are more efficient and socially responsible⁹.

Need I add that when Emile Noël was Secretary General of the Commission, he was its representative at the intergovernmental conference chaired by Jean Dondelinger, at that time Secretary General at the Ministry of Foreign Affairs in Luxembourg, in order to emphasize the role of the Commission and small and medium-sized States in the process of the European construction. We can only hope that the European Commission and its President will take an active part in the talks on the future federal political union. Evidently, in this whole process the role of the leader of the Commission will depend on his ability to put forward and negotiate a well thought out and structured proposal for a *European Federation*.

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⁹ This comment does not take into account any possible changes in governments and coalitions.