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The European debate on the new Stability and Growth Pact invests several European and global challenges at the same time. Each of these will have consequences for the others. And also for the balance of power between the “European government” and the member states.

Over the past few years an impressive series of events has hit Europe (and the whole world). After the global financial crisis of 2007-2009 and the European sovereign debt crisis of the first half of the 2010s, COVID struck at the end of 2019. Then came Russia’s invasion of Ukraine. And after that, the energy crisis and soaring inflation. Additionally, all this happened as a new structural scenario is emerging: the environmental crisis that forces a global response; and contradictory thrusts for the search of a new world order brought about by the decline of US leadership and the emergence of new powers (China, India and others); in fact, we are facing an alternative between renewed international cooperation with shared global rules and the clash between superpowers for the global hegemony. It is not surprising that all this is prompting a rethinking of the

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European economic architecture. A first, historical, response has already come in the form of the Next Generation EU (NGEU), the post-pandemic Recovery Plan financed with debt jointly guaranteed by member states.

And now two other fundamental topics are up for discussion: the revision of the Stability and Growth Pact (SGP); and the development of a new European industrial policy. Put together, these areas of intervention promise to reshape the global EU economic governance.

The European Commission itself recognised that the current version of the SGP doesn't fit the modern world. When the pandemic struck, the general escape clause of the SGP was activated, allowing member states to react to the COVID-19 crisis by providing sizable fiscal support to their economies; this strong countercyclical response proved highly effective in mitigating the economic and social damage of the crisis. The NGEU was then set up to help the various European economies to recover and to shift towards a greener and more digitised future. At the same time, the crisis resulted in a significant increase in public debt ratios, highlighting the importance of reducing them to prudent levels; indeed, fiscal prudence in times of sustained growth helps build fiscal buffers that governments can use to provide countercyclical fiscal support in times of crisis.

The time has thus come for a comprehensive reform of the SGP. The current set of rules is based on the famous Maastricht's thresholds: a country's debt to GDP ratio and annual deficit to GDP ratio cannot exceed, respectively, 60 per cent and 3 per cent. If the government debt is beyond such a limit, the country is required to lower its excess over the 60 per cent limit by one twentieth each year. This reduction plan, which constitutes the "corrective arm" prescribed by the SGP, is objectively too rigid since it doesn't take into account the specific economic conditions of the country under examination. The same argument holds for the general set up of the current rules.

The reform proposed by the Commission is aimed at relaxing these parameters

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and, at the same time, at politically engaging the member states. Essentially, it is based on a multi-year approach. In a first moment the member states would be classified in different risk categories in accordance with a debt sustainability analysis. The Commission would then propose a reference multiannual adjustment path to the countries with substantial and moderate fiscal challenges based on the net primary expenditure, i.e. the expenditure under the direct control of the governments. The goal of the plan is to bring the public debt on a plausible and continuously declining path at the end of the 4-year period.

At this point, the member states can present a counter-proposal. It has to include a detailed description of reforms, public investments and fiscal adjustments needed to put the debt on a declining trajectory; the involved government may also request an extension of the adjustment period for three more years. Finally, the European Council would be in charge of approving or rejecting the country's proposed plan. If rejected, and in case of no agreement between the Commission and the member state, the adjustment path initially proposed by the Commission would automatically become the reference plan. From a governance perspective, this process would increase the federal power of the Commission which supervises and coordinates the national economic plans, thus promoting converging growth and stabilisation paths and, in turn, favouring the integrity of the entire system.

The reform proposed by the Commission represents an important step in the right direction both from a purely economic point of view and for its political implications. First of all, it is based on the net primary expenditure which, as said, represents the costs under the direct control of the governments. This ensures that the country, in carrying out its adjustment path, is shielded from variables like interest rates movements (which can be due to speculative market swings or to monetary policy interventions) or higher automatic stabilisers (like unemployment and social benefits). This gives the government enough room to implement the plan independently and to focus on the actions under its direct

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control. Furthermore, several economists have argued in favour of stabilising the public debt by focusing on the net primary expenditure: the public debt does converge towards a steady level if the net primary expenditure is under control, provided that the economy enjoys a certain level of growth.

Another relevant merit of the proposed reform is the multi-year approach. This allows for medium and long-term planning, which is the proper time horizon in terms of public finance sustainability. The government is given a good timespan to manage the level of spending according to the chosen fiscal policy. In particular, the duration of the plan may coincide with the government term, which means it is not forced into a short term rush but it has the opportunity to manage its economic policy throughout the whole legislature. This is first of all a sound economic principle on its own. And secondly, this translates into a political stimulus: making more stable governments, a challenge particularly important for several European countries unfortunately accustomed to short-lived governments (like Italy for example).

At the same time, member states are more actively involved in the process. While in the old system they were asked to curb spending in a rigid way, now they work together with the European institutions. This method gives them full political responsibility for the actions undertaken, covering a period of several years. The Commission's objective is therefore twofold: giving more flexibility on the economic front and more stability and responsibility on the political one.

Not only stability

Ursula von der Leyen has recently announced that the Commission will propose a new EU Sovereignty Fund next summer to support European industry's green and digital transition. The project is at a very early phase; indeed, there is not a formal proposal yet. Nevertheless, the final objectives of the initiative are already clear: helping the economic growth with structural interventions and launching what has been defined as "strategic autonomy" i.e. a new European industrial

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policy. Several political leaders and pundits have already been arguing in favour of such initiatives for a long time. Then, the disruptions created by the pandemic and later by the war and energy crisis have made clear that a European intervention in this direction is really needed. Lastly, the political pressure to act has mounted as President Biden signed into law the Inflation Reduction Act (IRA) with its “made in America” subsidies.

The Commission is determined to accommodate the transition and to make the European economies more resilient. It is urging the member states to shorten permitting times for green projects, to ease redtapes and to retrain workers with the new skills required. It has spoken out in favour of signing long-term agreements with countries that supply crucial raw materials in order to reduce dependence on single suppliers. Investments throughout the entire supply chain will be proposed.

However, as we are still at a very early stage, the details of the interventions are still to be defined. A first crucial point will regard financing. The most obvious choice would be the emission of Eurobonds, as already done for the Next Generation EU. This would allow the set-up of a Sovereignty Fund with enough scope to act decisively. It would also boost the creation of the capital market union and provide financial markets with more risk-free euro denominated securities. Hopefully, the likely resistance from Central and Northern European countries will be overcome (resistance that, of course, should be overcome thanks to the good usage of the funds received under the NGEU; it is reasonable, compelling indeed, to verify how the current resources are used before adding more common debt). Other, less preferable, alternatives might be direct contributions from member states or involving the European Investment Bank (EIB).

Possibly still more important will be the decisions made in terms of European industrial policy. In doing so, the EU absolutely needs to maintain the market-

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based approach it has always embraced. Responding to the American IRA with an indiscriminate subsidy race would make everyone worse off; on the contrary, the integration of the single market and the openness Europe has had towards the rest of the world have served the continent remarkably well. As of now, European leaders fear jobs and investments may move to America; but they also need to consider that Europe has a large, functioning and growing green industry, thus it is far-fetched for firms to abandon Europe massively. Better to use the Sovereignty Fund to invest in public infrastructures, build electricity grids, invest in renewables. Europe needs huge structural investments which cannot be sustained only by privates; that's where the public pot should go. Of course, targeting help towards the poorer would be sensible, which is different from the sort of handouts for everyone approach some governments have pursued.

Making the EU economy more resilient will need a mix of "strategic autonomy" and diversification. The production of some essential goods might be internalised; at the same time, diversifying the supply chain will be important. Again, this is the job of a vigorous trade policy, on which the EU excels.

In short, in pursuing its industrial policy, the EU needs to build on its strengths: strong internal market, limits on subsidies, openness, multilateralism. It is worth noting that this approach makes sense from an economic point of view but also from a political one. The EU is a champion in international cooperation and often stands as a "normative power", setting global standards for others to follow. War has erupted on European soil and geopolitical tensions are high almost everywhere. The EU is a landmark for multilateralism and should continue to act as such. Implementing a common European industrial policy is essential for the EU to thrive; at the same time, it must do it by remembering its strengths and, most of all, its ideals. The Commission has hinted into this direction; hopefully the process will follow this lead, preparing the ground for a bigger Europe into a cooperative world.

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Combining stability and growth

Global public debts ballooned over the last decades. A first considerable surge happened because of the financial crisis of 2007-09. When COVID-19 struck, governments in rich countries spent freely to support their economies. They were right: they learnt from the previous crisis when public response had been too timid in helping the economies out of recession. Fiscal largess has been favoured by central banks which slashed interest rates and bought huge amounts of longer dated government bonds via their Quantitative Easing (QE) programmes. But now governments face two major problems. The first one is that it is difficult to reverse public spending. Once a bonus or tax relief has been introduced, it is politically tricky to remove it; moreover, after some time of big public support, people now come to expect the government to do the same when the next crisis hits. This is another reason to refrain from a costly subsidy race, preferring instead the sort of carbon pricing scheme the EU has successfully implemented.

The second problem is that interest rates have now been increased by central banks in the attempt to tame inflation: they reached 5-5.25% in the US, 3.25% in the Eurozone and 4.50% in the UK; only Japan has still a loose monetary stance but even there pressures to start tightening are mounting as inflation is approaching an uncomfortably high level. Costs for interest are then climbing and, as a consequence, debt levels risk becoming unmanageable.

Against this backdrop, it is important to consider the double objective the European Commission is aiming for. On the one hand, the reform of the SGP wants to lower government debt in a gradual but credible manner. This is particularly relevant at a time when several factors promise to keep pressures on already strained government budgets for a long time: the green transformation of the economy, more defence spending, the reconstruction of Ukraine, increasing health care costs linked to ageing population. On the other hand, the European industrial policy wants to create the structural conditions to help the economy

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grow and make it more resilient; combining growth with fiscal prudence is indeed essential for stability itself. Besides, contrary to many European governments, the Commission has fiscal space to act properly, which is why it would be reasonable to finance the Sovereignty Fund with European resources.

The process for reforming the SGP and setting up the European industrial policy has just begun. With the various legislative steps the European Parliament, Council and member states will surely have the possibility to improve the initial proposals of the Commission and make them as suitable as possible. However, at the present time, it is relevant to highlight that the direction indicated by the Commission is the right one: fiscal rules must be reintroduced as the shocks from COVID and the energy crisis give way to ordinary conditions; such rules need to be reviewed in a more flexible and, as a consequence, credible way; additionally, European intervention is needed to spur growth and accommodate the economy towards the new normal, through a bigger and sustainable EU budget.



Since it was put forward by the European Commission in May 2020, the

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concept of “*open strategic autonomy*” has become a centrepiece of the EU’s action in its internal and external dimensions. Another relevant idea is that of the “Brussels Effect”, which refers to the unique way how EU rules are capable to exert global influence. Putting the two together, the EU finds itself in the unique position to practice a mode of leadership open to anyone willing to share its values and recognising its rules, that we could call “*open regulatory leadership*”.

Open strategic autonomy is aimed at leading the way on the green and digital transition, to enable the EU to take a primary role in setting rules at the global level. Thanks to this, the EU will be able to win the challenge posed by alternative socio-economic models, benefitting from the first mover advantage in defining norms that can become global standards - especially in the field of digital and green technologies. What is more, the EU is not alone the global market of policy ideas. Therefore, this action becomes even more crucial not just to support the European strategy in this domain, but also as an alternative to other models that are being developed and proactively pushed by other world powers.

This short essay focuses on the intersection of these themes with digital and tech policy, an area where the EU is currently very active in setting new rules for the years to come. This is not only because this policy field was relatively less regulated than others, but also due to the strategic importance of technology in view of the dynamics that characterise the interconnected world economy. This is embodied in the concept of “*technological sovereignty*” (sometimes “*digital sovereignty*”), linked to one of the headline ambitions of the von der Leyen Commission (2019-2024), which is “A Europe fit for the digital age”.

Thus, two questions are in order. First, is the EU aware of the strategic importance of regulatory leadership in the digital field? Some of the most recent initiatives of the European Commission give a clear and positive answer to this question.

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The European Declaration on Digital Rights and Principles for the Digital Decade, proposed by the Commission in January 2022, proclaims *“the ambition that the principles serve as an inspiration for international partners to guide a digital transformation which puts people and their human rights at the centre throughout the world.”*

In the Strategic Foresight Report 2021, the Commission writes that the EU is in competition for ‘first mover’ advantage in standard-setting, particularly in emerging technologies – from Artificial Intelligence (AI) to blockchain, from quantum to digital currencies – and green technologies, such as hydrogen, energy storage, offshore wind and sustainable transport. The 2022 edition of the Report goes one step further: it makes an explicit link between the EU’s ability of setting international standards – where a more strategic approach must be developed – and the potential success of the EU’s economy to move towards an economic model of “competitive sustainability” – one that is embedded in the values of fairness and sustainability and at the same time capable of delivering economic stability and productivity.

Similarly, in the EU Strategy on Standardisation, the Commission recognises the strategic importance of norms and standard setting, it recognises that the EU is lagging behind in this field and sets out the actions to close the gap. In line with the paradigm to remain open, the way forward is identified in multilateralism and alliance with likeminded partners. A concrete example of this approach is represented by the work under the new format of Trade and Technology Council recently launched with the United States and India, as well as the newly-established Digital Partnerships with Japan and South Korea, already planned also with Singapore.

Particular attention to cooperation in digital policy with likeminded third countries can be found, for instance, in the Note on Regulation of the EU Digital Economy drafted by the current Trio Presidency (France, Czech Republic, and

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Sweden). Thus, Member States, which at the moment are fundamental drivers of EU policymaking, appear to be well-aware of the opportunities and responsibilities associated with open regulatory leadership. Also in the European Parliament, the other co-legislator, the implications of the Brussels Effect come up in many debates around digital policymaking. Just to cite one example, the European Parliament's Report on artificial intelligence in a digital age *"acknowledges that establishing the world's first regulatory framework for AI could give the EU leverage and a first-mover advantage in setting international AI standards based on fundamental rights as well as successfully exporting human-centric, 'trustworthy AI' around the world."*

Having acknowledged that EU institutions are aware of how crucial it is for the EU to practice *open regulatory leadership*, the second question to be addressed is the following: what is the EU doing to achieve it? In other words, does the "Brussels Effect" in digital policy truly exist and is it proactively used as an instrument to support the open strategic autonomy objectives?

The term "Brussels Effect" synthesises different explanations for the EU's unique ability to influence rules in third countries. Supposedly, by virtue of its market size, regulatory capacity and stringent regulation on specific markets and targets, the EU exerts its influence both *de jure* - third countries emulate EU regulations domestically - and *de facto* - multinational companies abide by EU rules even when subject to other jurisdictions.

An article recently published by *Digital Society* explores the issue in relation to data protection rules, in an attempt to answer the question of why and how the EU rules global digital policy. Since the General Data Protection Regulation (GDPR) was passed in 2016, it has been commonly defined as the "gold standard" data protection law and has become the paramount example of EU regulation in the digital field holding a truly global reach. Empirical evidence collected through

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qualitative interviews with 40 policymakers, stakeholders, and experts around the world shows that EU rules in data protection have a sizeable international impact. Among the several potential enablers of EU regulatory influence, the main drivers of the GDPR's global success are the EU's internal market appeal, its credibility as a regulator, and the timing of its regulatory actions in line with evolving policy needs.

This has empowered the EU to exert regulatory influence in a unilateral and indirect way, with private companies complying to the GDPR even when not obliged to do so and third countries freely choosing to emulate the European approach in their own system, either due to economic considerations or the desire to imitate a model that is considered good for human rights or effective to deal with technological developments. The EU has been exerting regulatory influence also in a more proactive and direct manner, via Commission decisions that enable the free flow of data whenever a third country is deemed to provide an adequate level of data protection in line with European standards.

As European legislators are now discussing how to regulate Artificial Intelligence, the *Centre for the Governance of AI* published a research paper that focuses on the potential for these new rules to diffuse globally and produce a "Brussels Effect" in AI policy. The authors conclude that parts of the new EU regulatory regime are likely to generate a *de facto* Brussels Effect, incentivising changes in products offered in non-EU countries. The paper also argues that there is a strong possibility that EU AI rules will influence regulation adopted by other jurisdictions, *de jure* diffusion being particularly likely for jurisdictions with significant trade relations with the EU. Furthermore, the upcoming regulation might be particularly important in offering the first and most influential operationalisation of what it means to develop and deploy trustworthy and human-centred AI.

Learning from the lessons of the GDPR, other countries have already started

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moving on this front in order not to be left behind. In October 2022, the United States, the White House Office of Science and Technology Policy released a “Blueprint for an AI Bill of Rights”, which provides a non-binding framework for how government, technology companies, and citizens can work together to ensure more accountable AI. Also China has become increasingly keen on the “ethics” of technology, with a number of initiatives on AI, data and privacy governance. It must be said that both the US and the Chinese approach to digital regulation differs, to different degrees, from the European one. Nevertheless, for the purpose of the present discussion, what matters here is the simple fact that policymakers in other parts of the world address issue of tech governance adopting some of the categories (such as ethics, accountability, trustworthiness) championed by the EU.

To conclude, if the EU wants to remain a relevant actor in the multipolar world, it ought to employ all the soft power tools at its disposal. This is even more true in the digital field, as the most powerful players in digital markets are not European. In order to have success in this endeavour, it is necessary to maintain an open approach towards international likeminded partners and to meaningfully engage with market players, as they are key in the realisation of the *de facto* Brussels Effect.

However, we must beware of the idea that regulatory leadership alone is sufficient to achieve the objectives of open strategic autonomy. Regulatory leadership must be accompanied by – or better, fully integrated in – a truly European foreign policy, of which it can become a powerful tool (thus marking a stark difference from the classic instrument of nation states, that is military might). Moreover, while there might be appetite for regulatory solutions in response to the need of digital sovereignty also in other world regions – we can think to South America and South-East Asia and their dependence to the respective regional powers – the EU will be really able to exert *open regulatory leadership* only if its regulatory model is successful in practice. In other words, it

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is fundamental that the EU regulatory model enables the actual implementation of technological solutions. An active EU role in the development of technical standards, attention to innovation, and the meaningful engagement of industry players in the regulatory process are essential for the success of technological implementation in the European way.

Therefore, *open regulatory leadership* represents a decisive tool in the European policymaking on the global stage, starting from the digital sphere. Furthermore, it can be the practical application of the concept of “open federation”, presented in the opening article of this Journal (*Ventotene still inspires us*), which calls for making the EU a model to be followed on the path towards a world federation.

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“... ensuring that the ‘power of rules’ prevail over the ‘rules of power’...”

Tanja Fajon, Minister of Foreign Affairs of the Republic of Slovenia,

Bled Strategic Forum, 26-30 August 2022

Introduction

As suggested by Tanja Fajon, ensuring that the power of rules prevails is the main challenge concerning the relationship between the Balkans and the EU. This challenge must be viewed against at least four critical features: the current global geopolitical challenges; the reshuffling from global to regional value-chains; the risks and opportunities deriving from the EU enlargement to the Balkans; and the need for a European structural reform.

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1. The global framework

Before the Russian invasion of Ukraine, since at least the US-led financial crisis, the world was in need of (and moving, slowly, towards) multilateralism, as a way to overcome the weakness of a hegemonic system no longer reflected in the real balance of economic and political power worldwide. The conflict put a halt to this process, risking a return to a new form of bilateralism, that very much resembles the doom years of the cold war. The need to provide crucial global public goods for the survival of mankind suggests that we cannot afford such trend.

We must return on the way of multilateralism.

A key responsibility for this is the birth and consolidation of a clear European actorness and sovereignty, in turn depending on the ability of Europe to provide crucial public goods such as ensuring security in the provision of energy, food, raw materials, technology, multi-layered industrial structures, etc. Generally speaking, this requires restructuring the European economy to be more self-reliant; at the same time this implies a single foreign policy and a common strategic attitude towards external partnerships (Africa, Latina America, wider Europe, post-Putin Russia, Mediterranean Basin, etc).

Hence the need to enhance the European cohesion in areas where externalities split over national boundaries, again: security, foreign policy, energy, health, major infrastructure, digital and green transition. This can be done via national coordinated action, which proved weak in times of crisis, i.e when it is most required, and with high risks of asymmetry (due to different financial health of national budgets) or with a joint budget, increased with genuine own resources and/or in deficit spending.

2. Reshoring

One key aspect of this European sovereignty enhancing strategy requires

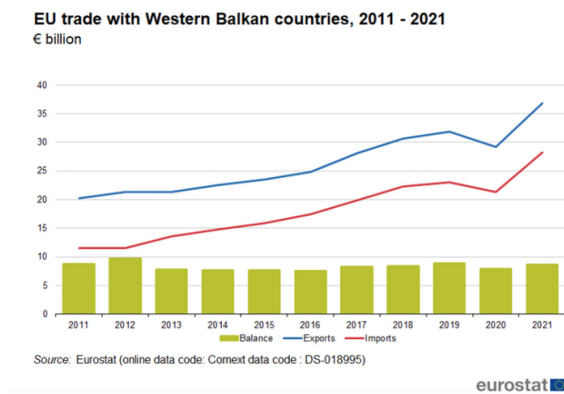
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internalizing formerly global value chains. This is an ongoing process since the covid, but should be further pursued.

Hence the economic relevance of the Balkans in the EU. The following is a series of graphs and tables illustrating the trade interchange between the Balkan countries and the EU, from both sides.

They testify of a strong interdependence in regional value chains that should be further pursued. Not in an autarchic perspective, that the EU cannot afford anyway, being extremely exposed to external provision of key raw materials, but in a strategy of greater productive autonomy.

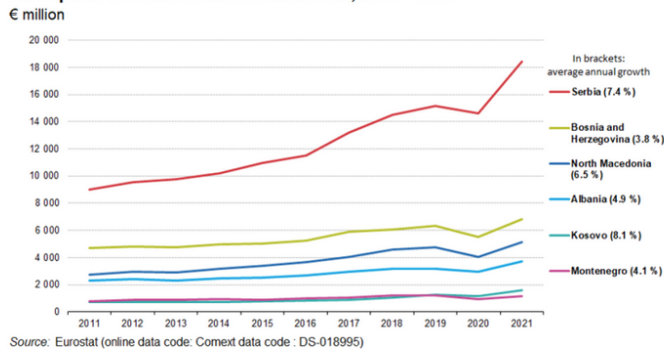
The EU current account surplus is constant and comes from an increasing trend of both imports and exports.



Exports are mainly directed to Serbia, which has a leading role in economic terms among the Balkan countries, in particular thanks to the strong engagement of Germany and Italy.

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EU exports to Western Balkan Countries, 2011 - 2021



eurostat

Exports to Western Balkan countries, 2020

	EUR million	% in total extra EU exports	% of Western Balkan countries in total extra EU exports
Germany	5 250	17.9	0.9
Italy	3 956	13.5	1.9
Slovenia	3 044	10.4	23.7
Hungary	2 731	9.3	12.0
Croatia	2 511	8.6	51.2
Greece	1 490	5.1	11.4
Austria	1 377	4.7	3.0
Poland	1 248	4.3	2.0
Bulgaria	1 179	4.0	12.3
Netherlands	1 144	3.9	0.6
Romania	1 060	3.6	6.6
Czechia	906	3.1	2.7
France	842	2.9	0.4
Belgium	607	2.1	0.5
Slovakia	599	2.0	3.8
Spain	527	1.8	0.5
Denmark	226	0.8	0.5
Sweden	179	0.6	0.3
Ireland	131	0.4	0.1
Finland	81	0.3	0.3
Portugal	65	0.2	0.4
Lithuania	46	0.2	0.4
Latvia	21	0.1	0.4
Estonia	16	0.1	0.3
Luxembourg	15	0.1	0.6
Cyprus	9	0.0	0.5
Malta	3	0.0	0.3

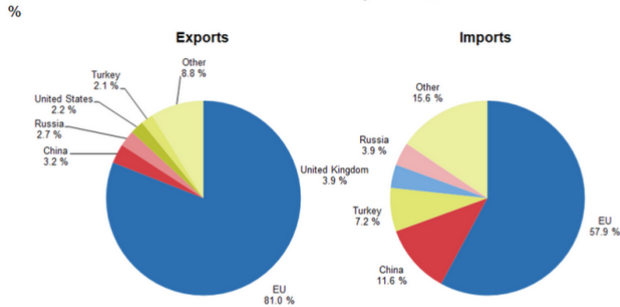
Source: Eurostat (online data code: Comext data code : DS-018995)

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Also from the part of the Balkans, the EU represents over 4/5th of the regional exports and accounts for more than a half of imports. Both China and Russia are currently of minor economic importance to the area. This strategic asset should not be wasted.

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Western Balkan countries trade with main partners, 2021



Source: Eurostat (online data code: Comext data code: DS-056697)

eurostat

3. Critical features

Traditional, historical, geopolitical alliances may be a problem. Serbia's relations with Russia may be a risk for the strategic unity of the region. But it may be turned into an opportunity. Sooner or later the conflict in Ukraine is destined to come to an end; and we cannot expect simply to ignore the existence of Russia. Some kind of reciprocal relations must be established again between the EU and Russia. In this case, previous privileged relationships with Russia of some member countries may be an opportunity as a political and economic bridge. It is a long-run perspective. But nobody can predict how short this long-run may turn out to be.

Another major risk may be diverging interests between the Balkans. It is not by chance that we use the term Balkanization to illustrate fragmentation. It is in the responsibility of the EU to single out areas where balkanization risks are minimized a strategic unity ensured.

One more risk derives from the current weakness, especially in some of these countries, to ensure the (active) protection of human, civic, social rights and common European values. We do not want more problems similar to those we are experiencing with Hungary and Poland. This will very much depend on the way collective decisions are taken and enforced. We shall return on this later.

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One further issue concerning the diverging performance of these countries in economic terms, that will need to be addressed. This also implies a more active redistributive capacity of the EU budget than what it is currently. We shall return on this in the next section.

4. Deepening or enlarging?

I hope I made it clear that the sooner we allow the Balkans in the process of EU membership the better. Pending the implementation of effective powers in foreign policy, the enlargement represented (and still represents) the true, viable EU foreign policy till now, by which the EU extended the power of supranational rules to a growing number of European countries.

Enlarging is therefore unavoidable; to stabilize democratic trends, ensure balanced growth, enhance the resilience of the whole European continent to internal and external challenges. The ADRIA Region is already providing a useful table for common projects in the fields of skills, best practices, human capital, joint investment, etc. It is not enough. Full membership should come as soon as possible.

Deepening, nevertheless, is key too. In particular, no collective decision can be left again to the blackmails of veto power. And this requires treaty changes and an ex-ante agreement, before any enlargement takes place.

A two or three tier Europe might fit for the purpose of accommodating the institutional architecture to the required compromise between enlargement and deepening. Macron' European political community might serve for this purpose. This implies, nevertheless, that a core of European countries has the strength to increase its collective sovereignty, basically thorough founding a federal system.

Concluding remarks

In any case, what is mostly important is that Europe provides a clear and timely

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signal of a radical change in its governing structure, showing that it is ready to take the opportunities and minimize the risks of inefficiency, eventually providing a convincing coherence between its decision-making system and the rhythm of history.



By Antonio Longo

The Strategic Compass aims to cement the foundations for a shared vision for EU security and defence among European Union Member States. This Member State-led process was initiated in 2020 and finalized on end of March 2022.

This document is a schematic contribute to the debate on the “strategic compass” issue, in particular as regards to the relationship between the concepts of security and development. It has been written before the war was triggered by Russia on Ukraine.

Some points under discussion

1. The world faces a choice between:
 - a “global system of continent states” engaged in a struggle for

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hegemony or equilibrium, as was the case for the European system of states, for centuries. From time to time one state or another (Spain, then France, and lastly Germany) would attempt to unify the continent using military power (the sword of Satan, as Spinelli called it). These attempts were always defeated thanks to the intervention of “lateral” powers (Great Britain or Russia) which, through a coalition of states, managed to restore balance in Europe. Now a similar system seems to be emerging, with a struggle for world hegemony (China/US) taking place in the economic arena, offset by military tensions in the Pacific (US/China), the Middle East (US-Russia-China), Africa (Russia-China-US-France) and Eastern Europe (Russia/US/EU);

- a “multilateral system of states” (starting with the largest) in which the struggle for hegemony is replaced by a conscious choice to cooperate on common objectives, none of which can be achieved by any state individually: environmental protection, the health of the human species, the scientific and technological revolution, global economic development, safeguarding the values and identities of the earth’s peoples.
2. The European Union must work to ensure that the world progresses towards a “multilateral system of states”. This is in its interest, as well as its DNA (given that it was established with the aim of overcoming the absolute sovereignty of states) because:
 - The EU is an economic power, but not a military one
 - Only in a “multilateral system of states” can the EU play an important role, and make the most of its leadership in some crucial sectors, such as safeguarding the environment and health, establishing universal standards to manage the digital and technological revolution, and defending the rule of law.
 3. In order to pursue a political approach that works towards a “multilateral

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system of states”, the European Union must decide on the **guiding principles** of its policy towards the rest of the world, starting with the neighbouring areas (Eastern Europe / Middle-East and Mediterranean / Africa).

Once these strategic decisions are in place the EU will be able to determine its relations with the US, Russia and China.

4. When it comes to the neighbouring areas, the EU faces two major issues:
 - Security:
 - Russia is not secure because the breakdown of the USSR weakened it politically and it now feels squeezed between two superpowers (China/US). After abandoning Gorbachev’s plan for a “common European home”, Russia is intent on achieving security using power politics to weaken and divide the EU, applying the political paradigm of the past (that of the old European system of states). Russia’s insecurity also spells insecurity for Europe, in terms of pressure on Ukraine and the potential destabilization of the Balkans (Serbia).
 - the Middle East is insecure: the old confrontation between the US and Russia has now been replaced by a direct confrontation between “regional” powers: Iran, Turkey, Israel, Saudi Arabia, Egypt ... which are reproducing a check and balance system similar to that in place in Europe in the past. This insecurity has repercussions on Europe, in the form of uncontrolled migration, religious radicalization, terrorism, the nuclear threat.
 - Africa is insecure because it is politically divided and therefore open to hegemonic interference from the superpowers (China / Russia / US) and pressures from some of the old European states (France, Italy, the UK...).

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This scenario will continue until the African Union takes shape by establishing an “African common market”, as Europe did in the 1950s. Insecurity in Africa affects Europe in terms of uncontrolled migration, internal destabilization, terrorism, and geo-political changes that serve specific superpowers.

- Development
 - Russia is economically weak (its GDP is lower than Italy’s), and the fact that its exports depend essentially on gas makes it vulnerable. The free trade area with the other countries of the “Commonwealth of Independent States” (established after the demise of the USSR) has never functioned fully and a genuine “common market” has never developed. The energy transition towards carbon neutrality appears challenging: the economy is still driven by large, state-run production structures, under political control: in this scenario the economic relationship with the West automatically becomes a political issue (see Stream 2)
 - The Middle East has to face the end of oil, the resource that ensured the area’s importance for a century, as well as its development (and wars). The energy transition of this region can only be accomplished by creating a “common market” for some common goods (water, agriculture, renewable resources), accompanied by the creation of “federal-type unions” (Israeli-Palestinian?). Otherwise we can expect to see enduring instability and development gaps between different areas.
 - Africa is potentially very rich in natural resources. To drive development there needs to be unity, otherwise the

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continent will continue to be plundered. The main aspects to work on are: supplying energy and electricity to help combat poverty, the water issue, developing sustainable agriculture, and major infrastructure and communication projects to unite this huge continent. These issues have to be resolved for “common market” of the African Union to take off. The EU’s role in fostering this is crucial. Europe has an interest in a Euro-African energy transition, to be pursued through complementary strategies for the reduction of CO2 emissions, the development of renewable energies, infrastructures for the production and transport of hydrogen and more. There is no shortage of projects, but there must be political will on both sides of the Mediterranean.

The EU’s security policy (foreign and defence) therefore revolves around two key concepts: **security** and **development**.

Europe will be secure internally if it can help the neighbouring areas develop.

Europe will develop internally if the neighbouring areas are secure.

The neighbouring areas will be secure if Europe aids their development

Neighbouring areas will develop if Europe helps ensure their security

Brief considerations on global relations

If the world progresses towards a US/China bipolar scenario, Europe will be relegated to the role of the US’s junior partner, just as Russia can only play the role of China’s junior partner.

Europe and Russia, on the other hand, have a common interest in developing a “multipolar” global system based on US-China-Europe-Russia (potentially adding Japan, India and, in the future, the African Union and the Latin American Union) capable of orienting the global political system towards forms of global

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supranational unity, the only approach which is fit to tackle the challenges of the future.

The developments in the following relationships are important:

1. **US - EU.** The Atlantic Pact and NATO are not in question, but the relationship between the US and European countries needs to be redefined. The US needs to recognize that for NATO to be a strong Alliance there has to be a genuine equal partnership between the US and the EU (an EU with defence capabilities). We should no longer be thinking in terms of “**the US and its European allies**“, but **the US and the EU**. Europe needs this to be able to act, on its own initiative, towards Russia, China, the Middle East, Africa and the rest of the world. For multilateralism to develop the EU must have an autonomous role within the framework of Atlantic collaboration.
2. **EU-Russia.** Europe must be able to offer Russia security and development, and receive security and development in return. An autonomous EU (within the framework of the Atlantic Alliance) would be able to negotiate with Russia on Ukraine joining the EU (not NATO), and offer Russia free-trade agreements for goods and services, free movement of people and capital. As a member of the EU (but not NATO, like Finland or Sweden) Ukraine could also be part of a reformed Commonwealth of Independent States, working in the direction of a common market in Eastern Europe and the Caucasus. Ukraine should act as a “bridge” between the EU and Russia, within the framework of a “common European home”.

This is a prerequisite for ensuring that the EU and Russia become equal, rather than junior, partners of the US and China.

To this end, the EU needs to redefine its institutions:

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- a. It is time to move beyond direct contact between individual countries (France, Germany, Italy....) and Russia, and “Normandy format” talks
- b. Foreign policy must be decided by the European Council, not the current President of the EU
- c. Foreign policy should be implemented by the High Representative, given a more centralized coordinating role, in strict connection with the President of the European Commission
- d. Once the terms of a potential agreement have been defined with Russia, there will have to be negotiations
- e. It will be necessary to appoint a single negotiator, as was the case with Brexit. Angela Merkel could be the negotiator of the EU-Russia agreement on the status of Ukraine in the EU and the Commonwealth of Independent States. This would be a “bridge” creating a vast free trade area from the Atlantic to Vladivostok.

An area of security and development. Which makes the multilateral system possible on a global scale.

February 14, 2022

April 25, 2024 by



It is glaringly evident that strategic objectives and clear guidelines for a European foreign and security policy urgently need to be formulated.

The European Union is committed to defining its role and taking action for a new “world order”, focusing on the development of multilateralism as the best way to govern global public goods.

Europe’s neighbouring areas represent the most immediate test for a truly European foreign policy.

*This **Appeal**, starting from Italy, sets out to contribute with opinions and proposals to a broad debate on these issues in Europe.*

It has been sent to the President of the European Parliament, the President of the European Commission and to the High Representative for Foreign Policy and European Security.

The Appeal

The pandemic has hit Europe and the rest of the world hard, making it glaringly evident that we urgently need to transform the economy and our way of life if they are to remain compatible, in the long term, with Planet Earth.

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The world needs a new political order, based on the creation of global supranational institutions to protect global public goods, above all health and the environment.

Multilateral, cooperative policies between states are required, starting with the USA, China and Russia, in order to overcome the power politics that have always characterized relations between them.

Europe, which came into being based on the very idea of moving past the absolute sovereignty of states, can and must accept its own responsibilities in building this new 'world order': relations between states must be based on universally recognized law; democracy and the human rights of freedom and equality must be pursued – as well as affirmed – as universal values.

These are the basic conditions that must be met for the individual to be considered an

“autonomous centre of life”, as was written in the “Ventotene Manifesto” eighty years ago.

The European Union can no longer put off formulating its own foreign policy based on these principles, establishing its own strategic autonomy within the framework of a renewed Atlantic Alliance (as an equal partnership).

This has been highlighted by recent events in Afghanistan, which have pointed up the irreversible crisis of the United States in the role of “government of the West”.

It is also dictated by the need to forge a new relationship with Russia based on détente and

cooperation, inspired by the perspective of the “Common European Home” indicated by

Gorbachev in his day.

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Europe must equip itself with its own defence force: it urgently needs military troops capable of rapid intervention to defend European territory and intervene abroad in the defence of human rights, “for peace keeping, conflict prevention and strengthening international security in accordance with the principles of the United Nations Charter” (Article 42 of the Treaty on European Union).

This new European military force could be based on the present Eurocorps, and incorporated into the existing Treaties. It should operate under the control of a European Council acting as “European Security Council”, comprising the states supplying personnel and resources.

In recent times, European institutions have been driving change, gradually enabling the European Union to provide a coordinated, common response, both to emergencies and for health security, and in economic and social terms. In the space of a few months the Recovery Plan for Europe introduced the Union’s first form of fiscal capacity, issuing European bonds to finance the green energy and digital transition of the economy, and social and territorial cohesion, in an increasingly federal union.

To consolidate the change that has taken place and launch a genuine common foreign and security policy, it is now imperative to outline Europe’s role in neighbouring areas in more detail.

The content of European foreign policy is determined by its response to real issues.

There are three main challenges facing the European institutions in the short term.

1) A single policy for the Mediterranean area.

The Mediterranean sea is the dumping ground for the tensions and unsolved

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problems in Africa and the Middle East. The Union can no longer stand by in the face of the democratic power vacuum in North Africa (and sub-Saharan Africa), which condemns these countries to underdevelopment, resource grabbing and uncontrollable migration, making them hubs of illicit traffic, and home to corrupt systems of power and endless internal wars. This situation prevents these areas from initiating a process of sustainable development and energy transition, which is the only way to change the economy and life of these countries.

To this end, the European Union must:

- Identify a clear common strategy (at least among the EU governments interested, and as a continuation of the approach formulated at the Berlin Conference on Libya, of January 2020 and June 2021) towards the countries of North Africa, to help them achieve political stability in the context of a democratic process, also guaranteed by the UN;
- present a coordinated energy transition plan to the countries of North Africa – as the basis of a Plan between the European Union and the African Union. This should be based on the pan-African management of public goods (water, alternative energies, agriculture), the shared construction of material infrastructures (energy networks, port and airport systems) and the development of cultural and technological partnerships (universities, research centres) to launch forms of sustainable economic integration between the two of the Mediterranean, also capitalizing on existing city networks (e.g. medCities).

An outlook of this kind would also benefit the southern regions of the Union, a natural “bridge” between Europe and Africa, thanks also to the use of NextGenEU resources.

1. EU accession for the Western Balkans

The peoples of the Western Balkans are an integral part of European history and culture. For them, joining the Union would be a way to move beyond their

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disastrous experience of the nation-state, and the tragic divisions, war and currents of nationalism that they experienced in the 1990s.

The decision to embrace a common destiny, with shared rights and duties, has the same meaning for them now as it had for those European states which, after two horrific world wars, decided to change the course of events by initiating a process of unity.

For the Union, the inclusion of the Western Balkans is motivated by clear political/strategic reasons, rather than economic considerations. By broadening the reach of its governance to unstable areas of Europe, the Union will play a more significant role in the dialogue with the US, Russia and China when it comes to drawing up global rules to govern relations between states.

For the Western Balkans, belonging to the Union will guarantee a security they would otherwise not be able to have. Being part of the European Green Deal project would enable these countries to make a qualitative leap in their economic and social development, in common with other European peoples.

The policy of enlargement has always had the effect of strengthening the European institutions, as happened when the Eastern Europe countries joined the Union: the Treaty of Lisbon heralded great institutional progress, strengthening the powers of the Parliament and the Commission. Enlarging the Union is a clear sign of its successful vocation to unite peoples, changing relations between states and bringing them into the arena of law rather than force: this is the essence of a federal process.

The Council has already decided (March 2020) to start accession negotiations with Albania and North Macedonia and the Commission has already presented (July 2020) the draft negotiating frameworks to the Member States – the first to take into account the ‘revised methodology for enlargement to the Western Balkans’. The negotiations must be based on countries committing to respect the

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principles of the “rule of law”.

The process of enlargement to the Western Balkans, including Serbia, Montenegro, Kosovo and Bosnia-Herzegovina, must be restarted soon, so it can be successfully completed before the next European elections in 2024, thus enabling these countries to be part of the European constitutional process.

2. *Peace in the Middle East and the Israeli-Palestinian question*

The Middle East continues to be the area in which global disorder generates the most serious crises. Over time, conflicts between superpowers have also led to conflicts between “regional” powers for the control of an area crucial to a global economy whose growth is fuelled by oil.

A radical change is needed, with a new path to offer security and development to this part of the world: cooperation must replace conflict, and the rule of law must prevail over force, exactly as happened with the process of European unification seventy years ago, which transformed relations between European states after centuries of war.

Only in this context will European action to rescue and welcome Afghan refugees become the first step in a new course, based on sustainable economic development in both environmental and social terms: alternative energies and new technologies, water and agriculture represent the main challenges.

The economic unification of the Middle East market represents the framework in which this transformation process is conceivable.

The point to leverage is the pacification between Israelis and Palestinians, as demanded by the new generations of the various communities. It is possible for them to coexist under a common democratic entity: a federation between the **six Israeli provinces and the territories of the West Bank and Gaza** is the only prospect/set-up capable of guaranteeing rights and security to the various

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communities, sanctioned by a Constituent Assembly.

The European Union is the only credible guarantor of this constitutional process, because its DNA is based on overcoming division and war. And its economic and commercial might can help generate a new process of economic development for the entire area.

As exponents of European civil society and culture, members of federalist, pro-European, environmental and civil rights movements and political forces inspired by the values of democracy, freedom and social justice, we ask that:

- The European Parliament launch a major debate on the role of the Union in the world, setting out guidelines for a European foreign policy.
- The European Council indicate the strategic base for the Union's foreign policy action, then let the Council decide by qualified majority how to implement it.
- the European Commission and the High Representative for the Common Foreign and Security Policy initiate the consequent foreign policy actions, rendering them enforceable and bearing political responsibility for them.
- the Conference on the Future of Europe initiate an in-depth discussion on the strategic lines of the European Union's foreign policy.

September 30, 2021

First Signatories

Antonio Longo - Editor of *The Ventotene Lighthouse - A Federalist Journal for World Citizenship* - www.theventotenelighthouse.eu

Piergiorgio Grossi - Movimento Federalista Europeo, President of the Liguria Regional Council

Antonio Padoa-Schioppa - Jurist, historian, academic, University of Milan

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Alessandro Cavalli - Sociologist - University of Pavia

Franco Praussello - Economist, University of Genoa

Roberto Palea - Former President of the Centre for Studies on Federalism

Fabio Masini - Economist - University of Roma-Tre

Davide Emanuele Jannace - Editor-in-chief of the webzine Eurobull
www.Eurobull.it

Roberta De Monticelli - Philosopher, San Raffaele University, Milan

Lucio Levi - Editor of the review The Federalist Debate
<https://www.federalist-debate.org/>

Domenico Moro - Board of Centre for Studies on Federalism, Turin

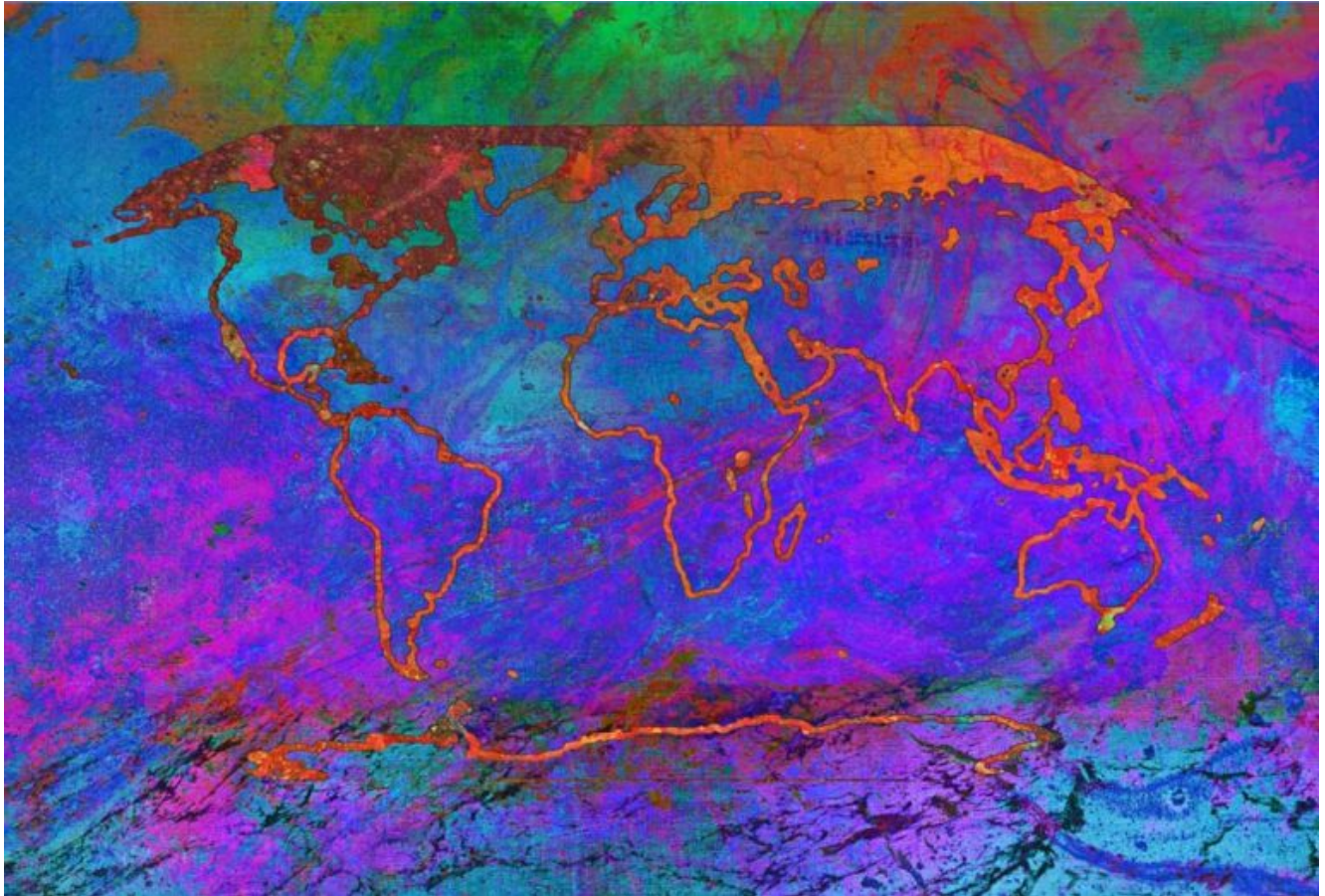
Paolo Ponzano - Teacher of European Governance at the European College of Pavia

Luigi Giussani - Former World Federalist Movement Council Member

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On August 9th, the IPCC Report (UN Intergovernmental Panel on Climate Change) was published. This report updated to 2020 is based on 14,000 studies carried out by experts from 195 countries. Within the 4,000-page report, the panel's scientists analytically illustrate the climatic consequences in different geographical areas of the world due to CO₂ and other greenhouse gases emitted into the atmosphere through human activity (which add to the stock of existing gases and will persist in the atmosphere for hundreds or thousands of years).

The IPCC then illustrates the different scenarios that could arise if the increase in the Earth's average temperature is not limited to 1.5°C, within 10 or 20 years as agreed in the 2015 Paris Agreement. The latter was ratified and entered into force by 196 States, including all the main polluters, namely, the European Union (EU), the United States, Russia, South Korea, India and China (which, however,

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managed to postpone from 2050 to 2060 the target of achieving net zero climate-altering emissions).

The IPCC warns that global warming is occurring much faster than in the past, with the global average temperature having already risen by 1.09°C compared to the pre-industrial era. The Report describes the consequences of this rise in temperature as far worse than those predicted in previous Reports: the areas subject to fire risk have increased by 75% since the year 2000; ice sheets are losing 8 billion tons of water a day, thus accelerating the sea level rise; in many countries the temperature has reached above 35°C and up to 50°C, for example in Morocco and Canada, for prolonged periods; increasingly violent typhoons and hurricanes have hit not only the Northern Regions, but also those of the South and East of the world, often followed by severe droughts; and desertification is increasing in Africa and in some areas of Southeast Asia.

According to the Report, even if commitments to reduce emissions (Nationally Determined Contributions – NDC) were to be confirmed and implemented by all current governments, global warming would still be limited to 2.1°C by 2030/2040, thus causing increasingly prolonged periods of extreme heat, a further acceleration of both the melting of glaciers and the sea level rise and the frequency and intensity of ‘extreme events’, resulting in mass migrations. Hence the UN Secretary-General António Guterres is not wrong in stating that the new IPCC report is a “code red” for humanity.

Once again, the EU and its Commission must be acknowledged for continuing to honour the Agreements signed in Paris (through the European Green Deal and Next Generation EU), by increasing the EU’s decarbonisation target from 40% to 55% by 2030, and making it an internationally recognised world leader in tackling global warming. An important agreement between the EU and the United States, represented by President Biden, was thus possible. This new-found transatlantic agreement has multilateral commitments and shared ESG (Environmental, Social,

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and Governance) objectives.

Linked to this agreement is Biden's executive order on the production and sale of electric, hydrogen or hybrid vehicles by 2030, with a USD 1000 billion investment, as well as the presentation to the Senate of a USD 3,500 billion anti-poverty plan to support social and environmental programmes, with cost increases and tax benefits.

The EU's driving force has targeted not only other states but also private companies, private and public foundations and independent NGOs, which have declared their willingness to commit to achieving climate neutrality by 2050.

After the new IPCC Report and its alarming statements about the fate of humanity, I believe that the EU's responsibilities to the world have increased considerably. Therefore, we should ask it to "raise the bar even further" in order to maintain its leading role in the fight against climate change.

We must demand that the European Union:

- apply consistent carbon pricing within the EU and in relations with the rest of the world;
- increase the production of renewable energies not only in Europe but also in Africa, with appropriate international agreements;
- establish an agreement with the African Union to produce green hydrogen through photovoltaic energy in the countries on the South-Eastern coast of Africa that would be transported to Europe using the existing gas pipelines between the two shores of the Mediterranean;
- speed up the implementation of decisive measures in areas where there is a significant delay, such as transport and electric or hydrogen mobility (electric car, electric or hydrogen-powered public transport) and the green conversion of

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private and public real estate assets (insulation of buildings, use of roofs for photovoltaic production, electrification and digitalisation of all utilities).

Finally, the time has come to spend the EU's large credit and sign a new pact among the main polluting states - possibly involving private companies, private and public foundations as well as NGOs - to give life to that multilateral, supranational institution in the energy and environment sector, which federalists have been demanding for decades. The "World Organisation for Energy and the Environment", governed by an independent High Authority (based on the ECSC model in the European unification process), would operate under the control of the UN, with the task of managing the complex and constantly evolving climatic and environmental balances in the interest of humanity.

This new organisation should endow the already existing Green Fund with USD 100 billion and propose to generalise carbon pricing globally, at least among the countries that agree with it.

In short, the EU multilateral initiative must meet the challenge of the IPCC with the aim of stabilising global climate in the best way possible so that the planet will be livable for the human species.

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The COVID-19 pandemic has profoundly shaped and speeded up the actions taken at European level, especially regarding the economic governance. As a consequence, also the debate about further reforms has been affected, as the previous agenda has been totally overcome by the events.

This crucial aspect about the future of the EU economic governance has been addressed, among others, by a Policy Brief of the Jacques Delors Centre (*"Everything will be different: How the pandemic is changing EU economic governance"*), which highlights and discusses some key points. Based on this very interesting work, we would like here to provide our thoughts and recommendations on the main issues raised.

EU fiscal capacity and common debt

The first aspect to deal with is the newly EU fiscal capacity and its common debt. First of all, it is worth noting that the EU has been able to incur common debt under the current Treaties, which made it possible to provide a common answer

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to the crisis in a relatively short time. This will also enable the EU to fund new common expenditures in the future, under the legal basis already used. It is telling that Paolo Gentiloni, the European Commissioner for Economy, has recently noted that “if you introduce a new tool that works, it can be repeated”.

The Next Generation EU has been a dramatic turning point in the process of the European integration. For a start, the European Commission has been invested with the duty of closely monitoring the investment plans drawn up by the member states. Even if the projects will not be directly managed by the Commission itself, the investment guidelines provided and monitoring authority assigned at European level gives to the Next Generation EU a real sense of common federal action.

Additionally, the Next Generation EU allocates the resources to the member states by taking into account the asymmetric effects of the crisis. In general, it can be argued that a larger EU budget was badly needed in any case, regardless of the current economic situation: indeed, a large centralised federal budget is required for a currency union to work properly. Specifically, one of the primary goals of a federal budget is to provide support to specific areas within the union affected by an asymmetric shock. The ECB had already taken a comparable step in March 2020 when it launched the Pandemic Emergency Purchase Programme (PEPP) and, in doing so, it dropped the Capital Key rule by allowing itself to buy more sovereign bonds of the countries hit hardest by the pandemic. With the creation of the Recovery Plan, also the fiscal lever is now available to tackle asymmetric shocks, bringing the European Union closer to a proper federation.

Apart from the importance in fighting the COVID-19 related crisis, a key issue is what all this means for the future. According to the current redemption schedule, the EU will eventually withdraw its bonds from the market (the current plan is to start repayment in 2028, over the next three decades). This would be a mistake. It's preferable for the EU to roll over its debt and keep its safe bonds on the

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market. Firstly, simply because withdrawing the EU common bonds would essentially mean transferring such a debt on the member states, which would be politically undesirable and financially expensive. But most of all, keeping the EU bonds on the market would be essential for creating a Capital Market Union, strengthening the international role of the Euro and making it easier to set up new European investment plans in the coming years. It is no surprise that Mario Draghi, the former ECB boss and current Italian Prime Minister, has recently called for the creation of the Eurobonds. In particular, in a comparison with the US, he stressed the importance of having a truly Euro safe asset, an integrated Capital Market and a Banking Union: these aspects would help creating a vast, common market for firms and consumers, with the obvious related benefits.

Lastly on this topic, the reform agenda must include a rethinking of the public debt and deficit rules. This aspect is far too complex to be technically addressed here; it needs an in-depth analysis by economists and politicians alike. We want here just to highlight a couple of points. The various thresholds on the public debt and deficit, as well as the path to reduce and keep them under control, were set up in a completely different economic context. Now, we have been facing a low interest rates - low inflation environment for more than a decade. Only in recent times economists have seriously started talking about inflation again, as lockdown measures are going to be eased and the effects of the enormous fiscal and monetary stimulus on the price dynamic have yet to be fully seen. In general, the need is to combine a set of rules that are flexible, in order to be adapted to the evolving economic environment, but also credible - for convincing the market and the public that the Government debts will not run out of control. But even more important, the rules need to be rethought in light of the new European public debt, which removes the burden of some expenditures from the national Governments and which in effect has created a new big macroeconomic player: the European Union.

Economic and Institutional architecture

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After the Euro crisis, the EU created a framework for preventing and managing future shocks. The main problem with this architecture was that the process was largely technocratic, and the Economic Recommendations given to the member states were widely ignored. The monitoring authority given to the European Commission within the Next Generation EU will replace such a construction, transforming a technocratic process into a political one. Regardless of the specific form that future common investment vehicles will have, it will be necessary to maintain this type of control for economic policy coordination. Indeed, this political mechanism is far better than a technocratic one since it is more transparent and it makes the Commission accountable in front of the European citizens, making the whole system more democratic and understood from the general public.

Against this backdrop, one clear example is provided by the European Stability Mechanism (ESM). The ESM was an instrument specifically designed to be used during periods of financial distress and, given the exogenous nature of the crisis, the member states agreed to remove almost all the conditions attached to it: the only one remaining was to use the funds for health care costs, both direct and indirect. And yet the ESM has totally gone unused. The reason for this failure is twofold. First of all, in many countries populist parties used the pretext of the old tough conditions imposed during the Greek crisis to campaign against the new ESM which, as said, has actually been cleared by these very conditions. If you think this makes no sense, it's because it doesn't. Nevertheless, the intergovernmental nature of the ESM didn't help in making it transparent and easily understandable by the citizens, thus somewhat facilitating the populist argument.

But most of all, the reason lies in the fact that no country would have known what to do with the ESM funds. Applying for the ESM loan required a plan for reforming the sanitary system, which no one had prepared. The pandemic has swept all national health systems and shown how ill prepared they were for

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managing a major challenge. In this respect, it would be more appropriate to introduce a European basic health system: the aim should be to provide common guidelines to the different countries in order to ensure equal treatment for all citizens of the Union, especially – but not only – in critical situations. Indeed, inequalities are totally unacceptable when it comes to personal health. A good case in point is given by the vaccines: smaller and less rich member states would have incurred difficulties in getting a fair share of vaccines. The centralised management of the situation by the European Commission, which was put in charge of procuring vaccines for a population of 450 million, has prevented this intolerable outcome. This is true, of course, regardless of the possible errors in the negotiations made by the Commission: this is not a judgment on the goodness of the work of the Commission in this case; this is an indication of how it is appropriate to structurally divide the tasks between member states and Europe to avoid inequalities. Setting up a European basic health system would help in ensuring equality in such a relevant context.

These examples show that the political interventions – which are necessary to implement the NextGenEU investments – make the Commission's action increasingly political and not just technical, as it was when the European Semester was in place. And this will inevitably affect the future European governance.

Eurozone and EU-27

Lastly, the events of the last few years have cast doubts on the need of focusing certain reforms on the Eurozone dimension instead of the whole EU-27. The first step in this direction has been the UK's exit from the EU. Even if "Remain" would overall have been a preferable outcome and the effects of Brexit will be a controversial issue for a long time, it is known that the UK has often tried and succeeded in watering down ambitious EU reforms. As a consequence, the focus needed to be shifted on the Eurozone dimension to make significant progress in

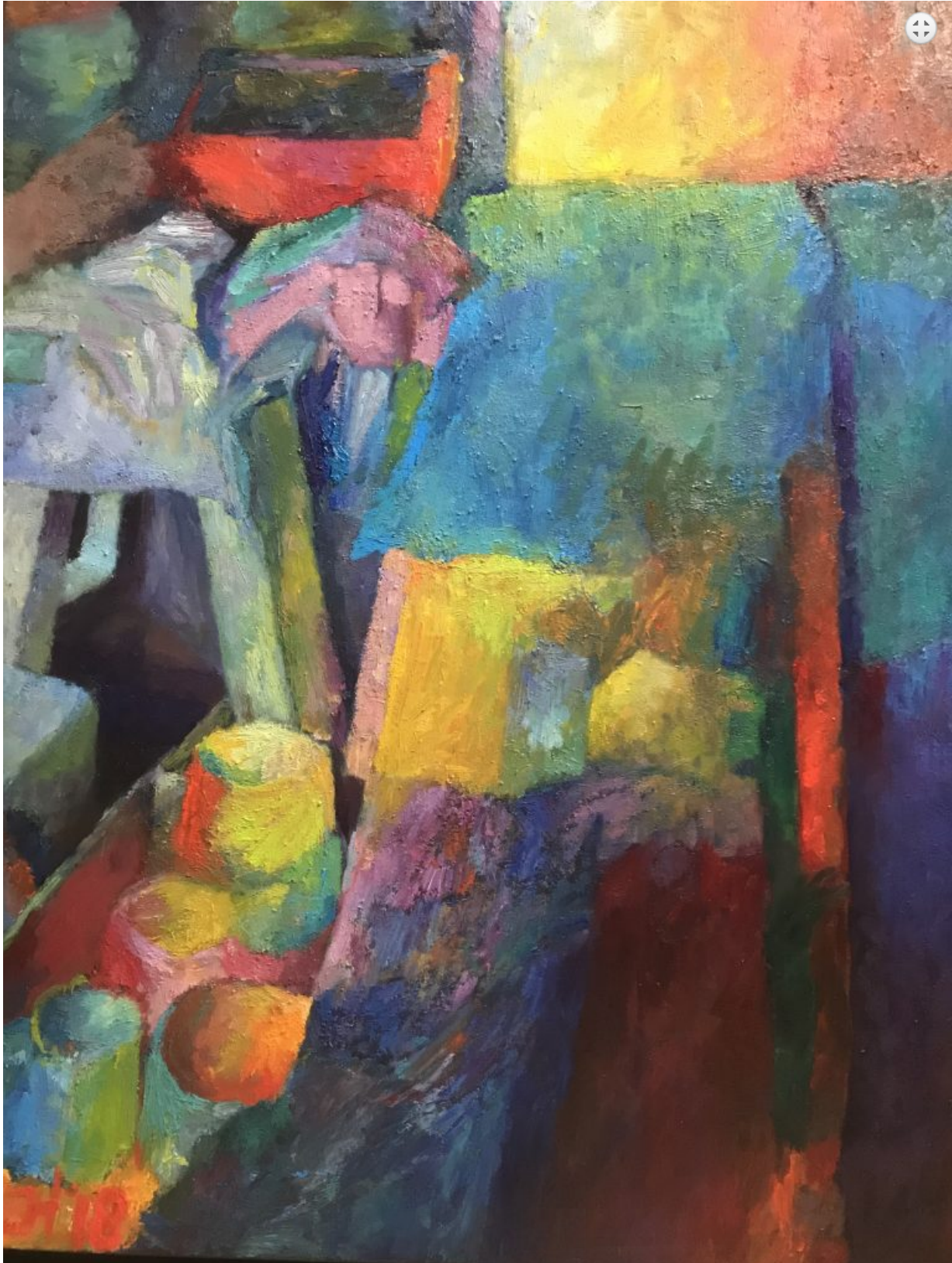
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such areas. As Brexit has become a reality, this is no longer the case. Indeed, it can be argued that the Next Generation EU would not have been possible with the UK in the EU (even if we cannot be sure of this, given that the dramatic circumstances called for unprecedented answers).

In addition, the non-euro member states have lost considerable weight. And looking forward they will even more, as new countries will join the Eurozone. This reinforces the case for addressing more issues at EU level, leaving aside the Eurozone format.

As a matter of fact, the Next Generation EU is a EU-27 project, as well as the 2021-2027 revamped EU budget. This has made the talks for a Eurozone budget totally obsolete and the decision-making has shifted at EU level. This is not only good in principle, but also convenient in practice: acting within the framework of the Union law makes it often possible to take decisions by qualified majority, instead of by unanimity. This allows to speed up the process of decision-making, a key point in successful politics. In this context, it is very important to point out that we are not facing a trade-off between reactive decisions and democracy. At a first glance, it may seem that unanimity requirements guarantee the respect of the will of everyone; but in reality, a situation where a single country has the power to block the other 26 can hardly be defined as a functioning democracy. Thus, the right direction should be to make it clear that in certain areas the sovereignty is correctly allocated at European level – for better serving the interests of all member states, as in the case of the Next Generation EU – and that in such areas the EU-27 framework should always be chosen whenever possible.

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Jaap Hoeksma (1948) studied philosophy of law at the Free University of Amsterdam. He worked with the Office of the High Commissioner of the United Nations for Refugees and published on asylum and refugee law. In 1992 he focussed his attention on the newly established European Union, turned the EU into a board game about European democracy and developed the theory of democratic integration as an explanatory model for the functioning of the EU as a European democracy.

The name of the Dutch historian Johan Huizinga (1872-1945) does not figure prominently among the intellectual protagonists of European democracy. As a conservative by heart, he appreciated the value of national states and cultures. In his capacity of rector magnificus of the Leyden University he ordered a delegation from Nazi-Germany in 1933 to leave an academic meeting.[1] He actively participated in the transnational interbellum debate about the future of Europe and warned in an almost prophetic way against the impending dangers for European civilisation. After the invasion of The Netherlands by Hitler-Germany he was taken as a hostage to the hostage camp of St Michielsgestel and subsequently condemned to internal exile in the hamlet of De Steeg. Huizinga did not live to see the liberation of his country, but his legacy contained the blueprint for the construction of a post war-Europe, which was published after his death in 1945.[2]

Curbing absolute sovereignty

The political will of the historian Huizinga contains a striking similarity with the Manifest, that was written eighty years ago in the Italian internment camp of Ventotene by Altiero Spinelli and Ernesto Rossi. The aged Dutch conservative and the young Italian communists agreed on the maxim that absolute sovereignty destroys absolutely. The conclusion, which the authors of the Ventotene Manifesto drew from this unsustainable state of affairs, was that the division of Europe in national sovereign states had to be abolished. They envisaged the

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creation of a 'solid international state'. As a cultural philosopher Huizinga displayed a somewhat more cautious approach. He argued that the peacemakers of 1919 had missed a historic opportunity to secure a stable world order. 'When they had the chance to renew the system of global governance, they failed to see that the concept of absolute sovereignty had become obsolete.' As a result, the peace of Versailles had sown the seeds for politics of revenge, aggression and, ultimately, a second world war. Looking ahead in the final chapter, Huizinga suggested that permanent peace should be achieved through law. In his view, the only way for the small states of Europe to obtain safety and security was through integration in a new legal order with the larger ones. So, while the authors of the Ventotene Manifesto wanted to address the problem of absolute sovereignty by abolishing the sovereign states altogether, Huizinga preferred to reign in the sovereignty of those states by the creation of an overarching legal order in post-war Europe.

The Kantian dilemma of statehood and international law

The differences of view between these authors concerning the strategy to curb absolute sovereignty illustrates the Kantian dilemma of statehood and international law. The German philosopher Immanuel Kant (1724-1804) was the first scholar to investigate the possibilities for states to create a situation of lasting peace. On the eve of the Napoleonic wars he suggested in his essay '*Zum Ewigen Frieden*', which was forbidden by the Nazi's in the Third Reich, that states wishing to attain perpetual peace could either merge into a federal state or agree to form a federation of free states.[3] In the first option, sovereignty would be transferred by the participating states to their common creation; in the second option sovereignty would remain with the states involved. As they would be guided by their shared desire for peace, war would no longer be justified as a last resort, but rejected as morally condemnable.

In his essay, which contained a severe *critique* on the Western norms and

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civilisation of his time, Kant explored the limits of the so-called Westphalian system of International Relations. The Westphalian system emerged in the aftermath of the Middle Ages as a code of conduct between modern states. Its name stems from the German region of Westphalia, which formed the scene of comprehensive peace negotiations in the 17th century. Ambassadors from almost all European states and the Holy See had gathered in the cities of Münster and Osnabrück with a view to bring an end to both the devastating Thirty Years' War in Germany and the Eighty Years' War between Spain and The Netherlands. The outcome of their deliberations, which were informed by the works of Grotius (1583-1645), constituted the basis for modern international law. In this system, war is the ultimate means of the resolution of conflicts between states. It may not be conducted at whim but requires both a formal declaration and a serious cause (*casus belli*).

At present, the Westphalian paradigm underlies the functioning of the Organisation of the United Nations, in which regional organisations of states are playing a more significant role than in previous times, notably with respect to the maintenance of peace. Two centuries after Kant, the dichotomy between sovereign states and organisations of free states has only sharpened. Seen in this perspective, the differences of view between Spinelli and Huizinga accentuate the Kantian dilemma of statehood and international law. Spinelli chose the federal option by transferring the sovereignty from the belligerent states to the new one, whereas Huizinga preferred to curb the absolute sovereignty of the European states through the voluntary creation of a new legal order. For theorists and politicians of the day, other options were not available. *Tertium non datur!***[4]**

The Conference on the Future of Europe

The Westphalian paradigm proved to be so dominant that it has seriously hampered the evolution of the EU. Generations of students in Europe and abroad have been educated with the idea that its predecessors and the EU were an

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organisation sui generis, that could neither be identified nor categorised. The late Michael Burgess even coined the phrase that the EU works in practice, although it cannot function in theory.[5] Seventy years after the start of the process of European integration the Conference on the Future of Europe offers an excellent opportunity to come to terms with the own and distinct character of the European Union. The challenge for the participants is to demonstrate that the EU can work in theory and to improve its functioning in practice.

One of the greatest mistakes the participants in and stakeholders to the Conference could make would be to take the concept of EU democracy for granted. Quite some commentators and activists argue that democracy is under threat in various parts of the world, that the USA has narrowly escaped a coup d'état, that the military have staged a successful takeover in Myanmar, that several Middle-European EU member states are flouting the rule of law and that democracy in the EU itself is also under serious threat. Such an approach would give rise to major conceptual mistakes. It notably overlooks the fact that the EU is still a young and consequently imperfect democracy. In fact, the EU is giving the democratic idea a major boost by establishing itself as the first-ever transnational democracy in the world! In the process it has to overcome considerable hurdles. The most recent obstacles are Brexit and the EZB-Urteil of the German Constitutional Court.[6] In his notorious Bloomberg-speech of January 2013, in which he announced his decision to organise a referendum about British membership of the European Union, David Cameron criticized the EU as undemocratic organisation since only the member states could be democratic. It followed in his logic that the EU should return to Westphalia and reform itself into a traditional organisation of states. In a similar vein, the German Constitutional Court has developed the view in a series of subsequent verdicts that EU citizenship is not a 'real' status, that the European Parliament is not a 'real' parliament and that it is also impossible for the EU Court of Justice to be regarded and respected as a judge of last resort. The EU needs to make a considerable theoretical effort to counter this kind of criticism, if it wants to

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establish and present itself as a European democracy. It is therefore most timely and appropriate that the signatories of the Joint Declaration on the Conference on the Future of Europa have expressed their determination 'to seize the opportunity to underpin the democratic legitimacy and functioning of the European project'. The purpose of the present essay is to respond to the call of the presidents of the European Parliament, the Council and the Commission by

- a. identifying the EU as a new subject of international law,
- b. presenting an own and distinct political philosophy for the EU and
- c. demonstrating that the EU has replaced the Westphalian system of International Relations with an own model of governance, which will be introduced as the European Model of Transnational Governance.

The conclusion, which will be drawn towards to end of the essay, is that the combined endeavour of Spinelli and Huizinga to curb the absolute sovereignty of states in Europe has resulted in the emergence of the EU as a new subject of international law (a democratic regional organisation) with an innovative system of governance (the European Model of Transnational Governance).

From union of democratic states.....

Looking through the lens of Spinelli, Huizinga and all the others who wanted *Nie Wieder Krieg*, the evolution of the European experiment may be described as a deviation of the Westphalian paradigm.[7] In contrast to the Council of Europe, which was established in 1949 with a view to promote human rights and democracy all over Europe, the six founding members of the present EU (France, the FRG, Italy and the Benelux-countries) agreed to make the renewed outbreak of war between them not only unthinkable, but also virtually impossible. The means through which they intended to achieve this goal consisted of the sharing of sovereignty. In order to ensure the prevention of mutual war, the participating states transferred their sovereignty in the fields of coal and steel to a higher authority. Although this decision implied a revolutionary rupture with the

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Westphalian system, the member states of the 1952 ECSC learned in practice that the sharing of sovereignty in a limited field was a reasonable price to pay for peace.

Encouraged by the success of their experiment the six decided to proceed on their path towards a new model of transnational relations by extending the practice of shared sovereignty to the whole of the economy. In 1957 they established the EEC with a view to further the prosperity of their nations and citizens. They expressed their determination to lay the foundations for an ever closer union among the peoples of Europe and aimed to create an internal market. The Court of Justice of the Communities found in 1963 that the member states had indeed created a new and autonomous legal order between themselves and ruled a year later that the law of the Communities has direct effect and – in case of conflict- precedes national rules and regulations.[8] Taking stock of the turbulent developments the newly founded European Council described the Communities after the first enlargement in 1973 as a ‘Union of democratic States’.[9]

...to democratic regional organisation

From a conceptual point of view the Communities formed a more or less regular regional organisation, albeit that the member states had to comply with certain democratic criteria and the organisation possessed an autonomous legal order. In hindsight, however, the qualification of the Communities as a ‘Union of democratic States’ implied the start of a paradigm clash inasmuch as the Westphalian system holds that organisations of states cannot be democratic, whereas the democratic principle suggests that there is no point in governing an organisation of democratic states in an undemocratic manner. In line with their aspiration to create an ever closer union among the peoples of Europe, the members of the European Council decided to give their organisation democratic legitimacy too. Consequently, the first direct elections for the European

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Parliament were held in the spring of 1979. For the first time, the citizens of the member states were entitled to elect candidates from their country as Members of the European Parliament!

The subsequent evolution of the EU can no longer be explained by theories embedded in the Westphalian system. The theory of democratic integration offers a fresh perspective by suggesting that, if two or more states agree to share the exercise of sovereignty in a number of fields with the view to attain common goals, the organisation they establish for this purpose should be democratic too. From the viewpoint, the decision of the European Council to establish a citizenship of the Union was of fundamental importance.[10] Although the Council envisaged to complete the internal market, the introduction of EU citizenship by virtue of the Maastricht Treaty laid the foundation for the emergence of a European democracy. After the Danish voters had made clear during their first referendum about the Treaty on European Union (TEU) that they did not want to give up their national status in favour of EU citizenship, the Council emphasized that EU citizenship is an additional status, which does not replace the national status of the citizens involved (art 9 TEU).

The 1997 Amsterdam Treaty formed another step away from the Westphalian system towards an alternative model of governance. It included 'democracy' in the core values of the Union proper and introduced a procedure to guarantee the respect for the EU's values by the member states (art 7 TEU). In doing so, 'Amsterdam' accentuated the concept of dual democracy, which has become a hallmark of the Union. Meanwhile, the member states participating in the Economic and Monetary Union were preparing the introduction of the euro as single currency of the Union. This implied a major deviation from 'Westphalia' too as unions of states are not supposed to administer and support their own coins. The 2000 summit of Nice saw the proclamation of the Charter of Fundamental Rights of the Union, which was hailed as the 'Magna Charta' of the newly created citizens of the Union. It was integrated in the treaties through the 2007 Treaty of

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Lisbon, which came to replace the ill-fated Constitution for Europe after its rejection by the French and the Dutch electorates in the spring of 2005.

The novelty of the Lisbon Treaty is that it construes the EU as a democracy without turning the Union into a State. Title II TEU contains the democratic principles of the EU and underlines that ‘citizens are directly represented at Union level by the European Parliament’ (art 10, para 2, TEU).[11] The far-reaching consequences of the new construction were illuminated through the case law of the ECJ, notably with respect to the status of EU citizens, who are now entitled to say ‘Civis Europaeus sum’.[12] Moreover, the ECJ established in two recent verdicts that the EU has an ‘autonomous democracy’.[13] On the eve of the Conference on the Future of Europe it may therefore be concluded that the EU has evolved to a Union of democratic States, which also constitutes a democracy of its own. As a ‘democratic Union of democratic States’ the EU forms neither a state nor a union of states. Instead, it may be identified with a new term as a democratic regional organisation.[14]

The European Model of Transnational Governance

Although the EU has reached its constitutional destination as a democratic Union of democratic states, its evolution towards an ever closer union continues. The introduction of a rule of law mechanism in the granting of EU subsidies to individual member states may be regarded as the ultimate confirmation of the new model of governance beyond the Westphalian system, which has transformed Europe over the decades. The characteristics of the traditional Westphalian system and the emerging European Model of Transnational Governance may be contrasted as follows:

		Westphalian
system	European model	
Sovereignty	Absolute	Shared

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War	Not excluded	
Impossible		
Borders & Customs	National	External
Market	National	Internal
Citizenship	National	Dual
Currency	National	Single
Democracy	National	Dual
Internal Affairs	Non-interference	Rule of law
Mech		
Global stage	irrelevant	major
player		

Messages of hope

The transformation of Europe from a war-torn continent to a democratic regional organisation may contain two messages of hope for the global community. On the long run, the introduction of EU citizenship may inspire the United Nations to create a UN citizenship. In a comparable way as EU citizenship had laid the basis for a European democracy, the citizenship of the United Nations may result in the emergence of a system of democratic governance at the global level. In a more immediate future the evolution of the EU into a democratic regional organisation may serve as a symbol of confidence for other unions of states with democratic aspirations. Obviously, each continent has to follow its own path, but the emergence of transnational democracies in other parts of the world will not only contribute to the realisation of the goals of the United Nations, but also to an improvement of the present system of global governance.[15]

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Andrew Duff argues that the Union's top priority is to settle the matter of how to elect the Commission in 2024. He believes that the EU should aim to have major constitutional reforms in place by 2029, including a renegotiation of the Brexit deal leading to new class of affiliate membership; completion of banking and capital markets union leading to fiscal union; a fully legitimated European Parliament; and the bridging of the divide between the EU and NATO beneath a European Security Council.

Brexit II

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The European Union has still to come to terms with Brexit. Clearly, the business of managing the secession of the United Kingdom has been very costly in terms of time and effort since Prime Minister Cameron launched his renegotiation of the terms of British membership in 2015. But there are important lessons to learn for the future of Europe. The unprompted departure of a rich and powerful member state marks the end of the EU's classic strategy of widening and deepening in parallel, first articulated at the summit of The Hague in 1969. Brexit has confounded the historic mission of the Union. "Ever closer union among the peoples of Europe" is now impossible. The British remain a European people but have chosen the path of disintegration.

During the secession negotiations, many 'Brexiters' argued that no deal would be better than a bad deal. That was, of course, nonsense, and at the last minute, on Christmas Eve 2020, a deal was done. But the Trade and Cooperation Agreement (TCA) turns out nonetheless to be a bad deal. It will not endure. There are no tariffs on goods, but supply chains are badly disrupted by tightened rules of origin requirements, the imposition of border checks on tax and customs, and controls on health and safety. The problems of doing business across the Channel are compounded by the erection of a veritable frontier between Great Britain and the province of Northern Ireland, which remains inside the EU's customs union. The TCA does virtually nothing for trade in services, for mobility of people, or for cooperation in foreign and security policy. Fisheries remain a bone of contention, especially with France.

The UK is highly likely to ask the EU for a comprehensive renegotiation of its Trade and Cooperation Agreement, starting in 2024. One may imagine that by then the Conservatives will be turfed out of office, although the capacity for incompetence and internal division within the opposition parties in the House of Commons should not be underestimated. Even a new Conservative government will be back in Brussels as *demandeur*. The renegotiation agenda will be centred on measures to improve British access to the single market of the type that

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Michel Barnier dismissed as unacceptable “cherry-picking” during the process under the secession clause (Article 50 Treaty on European Union (TEU)). While the cohesion of the EU 27 has been impressive in the course of Brexit I, will it continue to be so in Brexit II? Will other member states, such as Hungary and Poland, seek to emulate the British and try to improve their own terms of EU membership?

Renegotiation will give rise to the same thorny issues which complicated the conclusion of the initial deal. How will reciprocity and mutual recognition be defined and applied to EU UK trade in services? Can the new British regulatory framework be trusted by the Commission across the spectrum of the internal market, from environmental protection to state aids? There is a strong case for a return to free exchange with the vast pool of capital liquidity and expert financial services in the City of London, but equivalence needs to be supervised. European arts and sciences will certainly benefit from a restoration of former links with Britain, but on what terms?

The likely outcome of Brexit II will be a Ukraine-type association agreement based on a deep and comprehensive free area. Over time, however, this may prove to be too meagre a basis for the EU’s British partnership, especially if the appetite grows for closer political cooperation in security and defence. There will be no British application to re-join the EU as a full member state. But one might expect the UK to seek a new form of affiliate membership of the Union, involving at least partial engagement with the EU’s institutions. As such a membership category does not exist under the present treaties, the request from London would add to the pressure on the Union to embark on a new round of treaty change.

If the UK were to lead the way towards developing the concept of affiliate status, other third countries would surely follow, including Norway. Adoption of a second tier class of EU membership would also make sense for the Western Balkans,

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Ukraine and, ultimately, Turkey. As further enlargement of the Union has already become practically and politically impossible, the additional option of affiliate membership would relieve the Union of an intractable neighbourhood problem.

The prospect of treaty change terrifies the Union. But the departure of the irredeemably eurosceptic British makes it more feasible for others to move forward in a federal direction. Affiliate membership would act as a safe haven, like a *voie de détresse* on an Alpine pass, for any current member state which chose not to take the federal route.

Fiscal union

The other main driver towards federal union is the common fiscal policy which begins to emerge perceptibly in response to the devastating impact on the European economy of the coronavirus pandemic. The EU's decision to raise common debt on a large scale to aid economic recovery is unprecedented and must be managed well. Both the revenue and expenditure aspects of the Next Generation recovery programme should be delivered in as federal a manner as possible. In particular, the €672.5bn Recovery and Resilience Facility — of which €312.5bn is in the form of grants — should be disbursed by the Commission only to investments aimed at producing real added value with a European dimension. The experiment in common debt issuance will be quickly discredited if the Commission surrenders to short-term, pro-cyclical projects favoured by national party politicians. Although the debt initiative has been sold to 'frugal' states as one-off, never to be repeated, if the launch of eurobonds on this scale is successful there will be no reason whatsoever not to repeat it in the future.

Ideally, too, the holders of these eurobonds should be paid not from the proceeds of national GNI contributions to the EU budget but only from genuine own resources raised by EU taxation. This requires a compartmentalisation of the EU budget into federal and confederal sections, a reform which will not only save national treasuries money but will also connect directly the EU citizen as a

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taxpayer with the government of the European fiscal union. An EU Treasury Secretary will then be established within the Commission, leading logically to other necessary reforms to consolidate the banking and capital markets union, including the full integration of the European Stability Mechanism. The job of the Commission will then be to run a common economic policy of the Union and not merely to try to coordinate national economic policies, as it does now.

The Article 50 (TEU) process succeeded in concentrating executive authority on the Commission, and this trend should be continued in the fiscal field. Treaty amendment is needed to codify the changes already in train and to reform the fiscal rules of the eurozone. Fortuitously, there can be no better advocate for the completion of fiscal policy reform in the European Council than Mario Draghi.

European Security Council

Left to their own devices, neither the EU nor NATO has proved itself capable of delivering the effective, intelligent security that Europe needs. Indeed, until today the division between the two Brussels based organisations has made synergy impossible. Many people doubt that the EU will ever develop a coherent common foreign and security policy. NATO is still in search of a post-Cold War strategic concept, and struggles to keep the Americans engaged. The election of President Biden and the departure of the British from the EU open up an opportunity to think afresh about the architecture of Western security. The need for new institutions is self-evident: if EU enlargement has stopped, new organic linkages must be invented to cater for the security needs of the whole European neighbourhood.

President Macron has been the foremost intelligent critic of the present arrangements. If he gets re-elected in 2022 he will be in a good position to propose an overarching security concept which breaks down the barriers between the EU and NATO. A joint meeting of the North Atlantic Council and the European Council could decide to establish a regular system of meetings of defence

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ministers, including those of the US and UK. Jens Stoltenberg retires as NATO Secretary-General in 2022. His successor should be an EU defence minister appointed as the permanent dual-hatted president of the new ministerial body.

Treaty change

Such innovations for the European Union in the field of membership, fiscal union and defence policy will require changing the Treaty of Lisbon. That exercise must be well prepared. There is talk of the Conference on the Future of Europe — but in truth there is no sincere agreement within the EU institutions let alone between them about the purpose, organisation or leadership of such a Conference. The governance proposed for the Conference looks to be clumsy and over-weight, its deliberative processes confused and objectives unclear. The President of the Commission, the conservative Ursula von der Leyen, is unwilling to take the lead in the Conference. Charles Michel, President of the European Council, appears to have washed his hands of it. Needless to add, the constraints imposed by the Covid-19 pandemic do not help the Conference. The imminence of the German and French elections will further blunt the force of reform.

In any event, there will have to be a Convention in advance of treaty amendment, and it is here where pressure from federalists will be most pertinent. Setting the target date of 2029 for the new constitutional settlement to enter into force seems reasonable. That year will be the 50th anniversary of the introduction of direct elections to the European Parliament. Is it too much to hope that to celebrate that occasion some MEPs will be elected from transnational lists for a pan-EU constituency? Federal political parties are badly needed to realise the dream of Altiero Spinelli and to make our new European polity better governed and fully legitimate.

Unfortunately, electoral reform will only be postponed by the submission of the matter to a talking-shop Conference. The European Parliament already has the

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full right of initiative to initiate transnational lists. There is no case whatsoever for granting MEPs an extended right of legislative initiative unless and until they use the right they already have with respect to electoral reform. Once reform has rendered the Parliament authentically European, however, MEPs should be granted the right to vote on the federal part of the Union's revenue.

More generally, we must make an effort to render the Treaties less prohibitive and more permissive, enhancing the EU's capacity to act. QMV in the Council should be extended to decisions on taxation, own resources revenue and the multi-annual financial framework. The Commission and not the Council should represent the eurozone in international monetary affairs. Other Council functions, such as fixing agricultural prices and fisheries quotas, should be transferred to the Commission. If the more differentiated, wider Europe we foresee is to hold together, the centre must begin to act and look like a federal government.

Prerequisite for such a transformation is to reduce the size of the college of Commissioners at the time of its next composition in 2024. Of all the items crowding the Union's agenda, this is the most pressing — and can be achieved under the terms of the Lisbon treaty (Article 17(5) TEU). The search for von der Leyen's successor should be starting now.

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In his memorable speech at the Sorbonne on 26 September 2017, the French President Emmanuel Macron presented a well-structured and convincing plan for relaunching the project of European unification, which has basically been on hold since the 2008 financial crisis. In this article I do not intend to discuss all of his proposals, which I myself agree with, but rather to comment on the concept of European sovereignty, which Macron indicates as an ideological objective for the future of the European Union.

In one part of his speech, Macron stated: “The [...] key to our sovereignty is industrial and monetary economic power”, in short, the Economic and Monetary Union. At other points he proposes a “Defence Europe” and a “European defence fund”. Concluding, he summarizes his proposals as follows: “Finally, the essence of the European project is democracy. ... For Europe, sovereignty, unity and democracy are inextricably linked. ... We must promote this indivisible triangle”.

Here, I mean to show that while “unity and democracy” are two of the main pillars supporting the European project, the concept of European sovereignty is misleading: it would be more accurate to say “the powers and competences that must be entrusted to the democratic government of the Union by member states”. The concept of sovereignty is an ideological notion which is closely linked to the

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birth of the nation state and which cannot serve as a guide for the future of the EU.

I will present the reasons for this empirical approach in two stages: in the first I will indicate some contradictions between France's foreign policy, still based on national sovereignty, and the notion of European sovereignty; subsequently, I will discuss the European Union's foreign policy, a policy crucial to halting and reversing the trend towards growing international disorder, exacerbated by Trump's nationalistic policies.

In a recent interview with *Le Grand Continent* (16/11/2020), Macron was asked "Can Westphalian sovereignty coexist with the climate crisis?" To which he replied: "Yes, because I have not personally found a better system than Westphalian sovereignty. If it is the idea of saying that a people in a nation decides to choose its leaders and have people to pass its laws, I think that is perfectly compatible because otherwise who is going to decide? How would the people get together and decide? ... For decades now, Western democracies have been making their peoples feel that they no longer know how to solve their problems. ... That is the crisis of democracies: it is a crisis of scale and efficiency. But I do not believe at all that it is a crisis of Westphalian sovereignty. ... In everything I do internationally, for me what is paramount is always the sovereignty of the people". There is no doubt that national democracies around the world are in crisis, but the answer cannot just be to boost the effectiveness of national democracies, because when the international order breaks down, as happened between the two World Wars, democratic regimes are no longer able to respond effectively to international challenges, be that economic security (as happened with the 1929 depression) or military security (to curb hegemonic projects like Hitler's). Democracy becomes fragile when authoritarianism advances. Contemporary nationalism has emerged in increasingly aggressive forms since the fall of the Berlin Wall and the breakup of the USSR. Macron does not understand the root causes of the crisis of the international order and

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therefore supports the foreign policy of France, as a national state, which actually prevents the construction of an independent European Union. French national policy has the effect of preventing the pursuit of “strategic autonomy” for the EU, a concept that was adopted many years ago as the basic orientation of the Union’s foreign policy.

We can observe the recent consequences of France’s foreign policy in two crucial areas, the Mediterranean and Eastern Europe, including Russia. When it comes to Libya, France supported General Haftar against Al-Serraji, thus favouring the intervention of Turkey and Russia in the region; in Lebanon, he attempted to cast France – rather than the EU – in a peacemaking role, ultimately to no avail, and in the Nagorno-Karabakh War, between two states that belong to the EU-promoted Eastern Partnership (EaP) – the European Union stood out for its absence, thus giving Turkey and Russia an opportunity to further extend their influence in the Caucasian area. Why is the EU unable to act effectively in these regions? According to Macron: “We have built European defence capabilities, although it was thought unthinkable” (LGC). The reality is different, as Josep Borrell clearly demonstrates: “In conflicts such as Nagorno-Karabakh, Libya or Syria, we are witnessing a form of ‘astanisation’ (in reference to the Astana format on Syria) which leads to Europe’s exclusion from the settlement of regional conflicts in favour of Russia and Turkey. Nature abhors a vacuum: we risk now seeing Russian and Turkish military bases being established in Libya, a few kilometres away from our coasts. In order to emerge from this situation and to be able to settle our conflicts peacefully with these new empires built on values that we do not share, we must continue to fill the gaps in our common defence capabilities. This is the price which must be paid to give birth to the geopolitical Europe that President Von der Leyen and the European Commission have called for” (Le Grand Continent, 14/12/2020).

Now let’s look at the issue of the defence and security of the Union, which means talking about the future of NATO. In his interview with LGC, Macron was

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undoubtedly aware of the proposal from Germany's SPD party to create a 28th Union Army, namely a European army at the disposal of the democratic organs of the EU. Yet he does not mention it, as if the question of European defence had already been solved. Perhaps Macron believes that French defences, which also include nuclear weapons, are sufficient to guarantee the security of the other countries in the Union, a doctrine that goes back to de Gaulle. Yet this sentiment is not shared by Eastern European countries such as Poland or the Baltic nations, which look to the United States and NATO for protection. Macron criticizes NATO's shortcomings, as he did in 2019 when he argued that the Atlantic Alliance was experiencing "brain death". This criticism is justified, but what alternative does Macron offer? The SPD proposal would effectively achieve the "strategic autonomy" of the EU. Here it would take too long to go into the details of an issue that is undoubtedly key to Europe and for world peace. I will merely recall the contents of a 'Policy paper' written by three federalists entitled *A New Atlantic Pact. A Peaceful Cooperation Area from Vancouver to Vladivostok* (The Ventotene Lighthouse, 7/10/2020), which considers - and updates - Gorbachev's 1987 proposal for a "Common European Home". This proposal was abandoned after the break-up of the USSR, because European and US policy for the eastward expansion of NATO - despite Kohl promising Gorbachev otherwise - ended up compromising relations with Russia: Russia had initially been invited to join NATO in the *Partnership for Peace* (PfP), to launch a more intense form of economic and military cooperation, later interrupted by the crisis in Ukraine, disputed between Europe and Russia. The paper argues for the need to resume peaceful cooperation with Russia, inviting it to participate in a free trade area from Vancouver to Vladivostok, and re-enter the PfP until the time is ripe for further steps. The paper also proposes creating a European security system based on a "dual army", a proposal similar to that of the SPD. More peaceful relations between the EU and Russia would indirectly contribute to changing international relations between the EU, the US, Russia and China, and reducing the level of nationalistic competition between the great powers.

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European foreign policy, however, is not limited to Euro-Atlantic relations. There are global political challenges which urgently need to be addressed. The mob attack on the US Capitol was not only a vulgar insult to democracy, but is also indicative of the further weakening of US leadership in the world, because in the coming years the US is likely to be divided internally by social and political rifts. The international institutions created after the Second World War were designed by the US to guarantee “a safe world for democracy”: the UN charter is based on “Westphalian sovereignty”, but contains rules to mitigate conflicts, through the Security Council, and a number of agencies to support economic stability (the IMF, the World Bank, the GATT), health (the WHO), agriculture (the FAO), human rights, etc. This architecture, which was based on multilateralism as the US wished, and was originally accepted by 40 other countries including the USSR – withstood the crises and turmoil of the Cold War. However the break-up of the USSR heralded an ongoing erosion of the post-war order, and the emergence of new global powers, such as China, Russia, India, Japan and Brazil, etc., was inevitable, giving rise to a multipolar system with no world government. Trump’s policies have shown that the US prefers bipolarism to multilateralism, an approach that benefits the stronger country. This return to conflicting international relations will continue in a different form even under the Biden administration, because there are currents in the Democratic Party that are in favour of protectionism and nationalism.

If the European Union proves unable to contain the nationalist leanings of the major powers, it will face a global challenge which could have dramatic consequences. A relentless struggle for world hegemony would end up bringing down the European construction. Each European country that wants to maintain its sovereignty in foreign policy, as Macron does, will be drawn into the hegemonic orbit of one or another major world power. To face this challenge, the European Union must equip itself with effective capacity for foreign policy that goes beyond what is currently in place, as the EMU; i.e. a European defence force

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(the 28th EU army) and a reinforced European budget, because foreign policy also requires fiscal capacity. The European Commission, endowed with new powers, would be accountable to a two-chamber Parliament (the EP and the Council of Ministers voting by a majority).

This reform is possible, but in the meantime some global challenges need to be addressed through the existing institutions. The first is the Glasgow Climate Conference on 1-12 November 2021. The EU will be appearing at this important event as a world leader, thanks to the launch of the European Green Deal which – in addition to the positive results achieved in the past (from Kyoto onwards) – represents a pioneering foreign policy initiative (global CO₂ emissions: China 28%, USA 15%, EU 9%, India 7%, Japan 3%). Multilateralism can no longer be guaranteed by a hegemonic superpower, but will have to be built gradually through peaceful cooperation – a global governance by the major players of world politics. Among these, the EU stands out as the leading power in a select number of forward-thinking countries (about a hundred) in favour of a global plan for the sustainable development of the planet. Security policy in the twenty-first century – the century of the Anthropocene – no longer depends solely on the military might of each power, but on their ability to guarantee a sustainable future, as indicated by the *Global Development Goals* (UN 2015). Over the past decades national governments have passed the burden of the structural adjustments needed to combat climate change onto future generations. Now, the young people of Fridays for Future and Extinction Rebellion are demanding a sustainable future. The human species, like other animal species, could become extinct if we fail to meet the objectives agreed in Paris in 2015 (to limit the level of global temperature rise to 1.5°C above pre-industrial levels). We are now approaching 2°C; if this trend is not halted by the end of the century we will be looking at an increase of 4°C, with devastating consequences for all forms of life.

Preparing for COP 26 in Glasgow will not be easy. The major world powers need

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to accept strict limits. The new Biden administration is taking an ambiguous position in this regard: while it has declared that it is in favour of the Paris objectives, it has launched the idea of a summit of democracies that could end up having overtones of the Cold War, if understood as an anti-Chinese alliance. China's environmental policy is also ambiguous: its commitment to achieving CO₂ neutrality by 2060 is positive, but in the meantime the Chinese government is financing the construction of coal-fired power plants both in China (17 new plants) and beyond, with a few hundred in Turkey, Vietnam, Indonesia, Bangladesh, Egypt and the Philippines, thanks to the Belt and Road Initiative. The negotiations ahead of the Glasgow conference will have to address these problems. The battle is on. If there is the will to do so, it will be possible to achieve the goal of CO₂ neutrality by the middle of the century. However, past experience suggests caution. No matter how many promises governments make, without a binding form of coordination on a global scale it will be unlikely that national environmental plans are respected. The practice of passing the buck onto future generations could continue.

The European Commission has managed to relaunch European cohesion among the 27 thanks to the *Next Generation EU* plan, perceived by European citizens as a European public good. This initiative has beaten back national sovereignty in the various political formations. A similar proposal should be adopted in the run-up to Glasgow, so that international political cohesion is guaranteed by there being obvious advantages to cooperation, an added benefit that each UN country can acquire by signing up for a *World Green Deal* in good faith. The world plan should be based on the use of Special Drawing Rights (SDRs), a kind of world currency issued by the IMF, as UN Secretary Guterres has proposed. This first initiative, crucial for economic stability, should be accompanied by a tax on the profits of multinational companies to finance the World Green Deal. Global sustainability will only become effective if poor and emerging countries can work harmoniously: the efforts of each single country should be teamed by collective

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hope for the future. More aid for development, a boost for renewable energies and strengthening the WHO to combat the pandemic effectively will help reduce the gap in wealth and well-being between the world's rich and poor. Contrary to what Macron believes, the UN can and should be endowed with supranational powers. This is the first step towards a post-Westphalian order.

The return to multilateralism is obviously about more than just environmental policies. There are other crucial problems, such as atomic and conventional disarmament, the regulation of international trade and finance, respect for human rights, etc. Ultimately, the goal should be to reduce nationalistic conflicts between the great world powers to create a *global governance*, a key objective when it comes to saving democracy threatened by national sovereignty in every country.

In this article I have deliberately avoided a doctrinal discussion of the relationship between the concepts of sovereignty, state and democracy. Treaties on international law and international relations devote much attention to these issues. I merely wished to show that we can tackle the problem of the European Union's foreign policy and security without resorting to the hackneyed concept of sovereignty. In the century of the Anthropocene, what sense is there in striving to defend the sovereignty of a single nation, or Europe as a whole, when the future of humanity is at risk? Sovereignty is a political concept that came about to foster the creation and consolidation of nation states. Today this archaeological relic should be left in the hands of the nostalgic custodians of the past.