

MOVIMENTO FEDERALISTA EUROPEO

SEZIONE ITALIANA DELLA UNIONE EUROPEA DEI FEDERALISTI
E DEL MOVIMENTO FEDERALISTA MONDIALE

Il Segretario nazionale
segreteria@mfe.it

To
Andrew Duff
MEP
UEF President

Pavia 28-01-2013

Dear Andrew,

Thanking you once again for the valuable work you have done and for the proposal you have formulated, I am writing to let you have a few considerations as a contribution to the definition of the UEF manifesto which, also in the light of the debate triggered by David Cameron's declarations and by recent events, should really address more directly the aspects of the work that needs to be done and thus the basis of the technical proposals for developing the fundamental law of a renewed European Union.

1. I would certainly start with Great Britain and the "difficult question" openly raised by Cameron. First of all, I would endeavour to eliminate the risk of getting drawn into a "for or against the UK" debate. Great Britain is an inextricable part of European history and of the process of European integration. It is therefore unhelpful and misleading to take sides for or against the presence of Britain and the British contribution in Europe. It is more important that we clarify what kind of Union we want to build and, on this basis, start discussions with Britain. From this perspective, the speech given by Prime Minister Cameron is a watershed in the European debate, because it is the first time that London has officially admitted (and, in its own way, expressed support for) the need to strengthen the monetary union, and as a consequence, talked of the need to obtain new conditions for Britain's participation in the European process. The question, therefore, is this: by what means does Europe intend to tackle the crises and challenges it faces?

The governments of the eurozone countries, the European Commission, the ECB and the European Parliament, initially tried to deal with the emergency through recourse to agreements, outside the framework of the Treaties, involving only some of the 27 member states. But the agreements reached and the new instruments created have proven insufficient to ensure government of the euro and to promote economic recovery, and this has led them to propose the creation of "four unions" (banking, fiscal, economic and political), also as a means of resolving the difficult question of democratic legitimacy. However, they have no coherent plan for creating these four unions, which in truth are conceivable only within a federal context, or for promoting a reform of the Treaties that would clarify and define the relations between those wanting to join an economic and monetary union and those preferring to remain part of a free trade area.

For its part, the British government, while acknowledging that efficient government of the euro is also in its interest, has reiterated its intention to defend the British national interest and to go on being part of the single market without, however, joining the eurozone or taking part in any deepening of political, fiscal and economic integration of the EU.

Both the former (the eurozone governments, Commission, ECB and EP) and the latter (the British government), not anticipating any change until after 2017-2018, are guilty of showing scant regard for the time factor. It is therefore up to the federalists to highlight these contradictions and to denounce, primarily, the inertia of those countries (and their politicians) that decided to adopt a single currency without first resolving the question of their political unity. In other words, the federalists must call for a federation within the framework of the eurozone. This will make it possible



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to negotiate a cooperation agreement, within the framework of the broader Union, with those countries not interested in participating (outs) and the terms of the transition phase for those that do intend to participate (pre-ins).

From perspective, I would say that it is crucial:

a) to note that federal reform of the Lisbon Treaty (through the convening of an EU intergovernmental conference of the 28 member states and a unanimous vote by the same) would be workable only if Great Britain were to accept, a priori (on the basis of an explicit agreement with the eurozone, countries), the federal evolution of monetary union and thus to agree not to impede its institutional transformation: a scenario that seems as unlikely as ever;

b) to observe that it will not be possible to move towards a federal union and its ratification until a pre-constitutional agreement has been reached between the eurozone countries, thereby allowing new relations with Great Britain to be negotiated on the basis of something definite, credible and concrete;

c) to reiterate that European parliamentarians and national MPs must begin formulating a federal design for the creation of the four unions, starting from the eurozone: indeed, unless they get to work immediately, it will be impossible to organise a convention either before or immediately after the next European elections;

d) to note that the new fiscal compact treaty has provided the basis for the start, albeit rather haphazard, of periodic meetings between MEPs and national parliamentarians to discuss issues relating not only to fiscal policy coordination, but also to the strengthening of democratic control within the Economic and Monetary Union. Since these meetings can actually be regarded as germinal pre-conventions on the future structure of Europe, the federalists, through their Campaign for a Federal Union Now!, should really be striving to influence their development and proceedings. In particular, these meetings should give rise to concrete proposals on how to resolve the two issues on which any progress towards federal union and renewed growth crucially depends: that of the creation of an additional budget for the eurozone, based on actual fiscal capacity; and that of the activation, within the European Parliament, of a system of differentiated voting rights on budgetary, fiscal and economic issues, making it possible to distinguish votes involving only the MEPs from eurozone countries from those in which the European Parliament functions in its full composition.

2. In the space of just a few years, the European Union and the economic and monetary union have had to deal with two major crises: the subprime crisis and the sovereign debt crisis. And in order to save the euro “the Union is changing”, as Cameron has pointed out. But not only is what the Europeans are doing insufficient, it could soon even be undermined and overtaken by events. Indeed, with the construction of EU reform and the creation of a federal union of the eurozone countries still open questions, a new crisis is now looming. This imminent crisis is linked to the effects of the currency war triggered by expansionary policies conducted, more or less overtly, by (among others) the central banks of Japan, the UK and the USA at the instigation of their respective governments and leaders (Obama and Cameron included). The purpose is to increase the competitiveness of these countries by acting on the exchange rate of their currencies, mainly at the expense of the euro which, the only currency without a government and a state, would have to be revalued. The painful repercussions of this currency war are likely to be felt as early as 2013, impacting in particular on economies like Germany that, for better or for worse, are a benchmark for the European economy and also heavily dependent on exports. As pointed out by Jim Rickards in his book *Currency Wars: The Making of the Next Global Crisis* (2011), and contrary to what was recently claimed by Niall



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Fergusson in the *Financial Times* (25-01-13), the currency wars, once started, are unlikely to be fought quietly. This is another reason for defining, without further delay and certainly within the current year, a project, a timetable and the framework in which to create a European federation and negotiate a new relationship with Britain. Failing this, public opinion in the different European countries, deprived of all hope, will be increasingly attracted by the sirens of isolationism, nationalism and *chacun pour soi*.

These, in brief, are my concerns, to which (also as a result of the debate that we will undoubtedly have within the MFE on these issues) I plan to return in the coming weeks in a more detailed note.

Trusting that these reflections may help in the formulation of a draft manifesto that will, as far as possible, be shared by the members of the UEF, I look forward to receiving a new version of the preamble to the working document.

Kind regards

Franco Spoltore

