



ALDE background notes:

EUROPEAN FEDERALISM

European federalism is a political movement which seeks to pool the exercise of Member States' sovereignty as a basis for the foundation of supranational authorities.

Specifically, it is concerned with implementing projects or resolving supranational issues by means of transnational policies.

I. The construction of federalism

The premises of federalism

It is ironic that the end goal of the principles of unity and of bringing peoples together, the very principles that European federalism stands for, is something which genuinely divides political movements and societies in Europe. Yet Victor Hugo won general approval for his speech at the International Peace Congress in Paris on 21 August 1849 when he floated the celebrated notion of a '**United States of Europe**'.

Founded on the principle of universalism, this idea, in the form of peaceful initiatives, traversed turbulent times that witnessed two world wars. A number of people came to the understanding that peace and reconciliation were possible only through a union of economic, political and cultural forces, rather than through military alliances.

The United Kingdom was the location for the establishment of what may be termed the first European federalist group in November 1938. The *Federal Union* was a pro-European grouping established to advocate the idea of a federal Europe in which governments would join together around a tiered structure to prevent over-centralisation.

Altiero Spinelli

During the Second World War, the Resistance in Europe seized upon the federalist ideal with a view to devising a specific long-term project for post-war Europe.

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Altiero Spinelli, an anti-fascist communist activist, was sentenced by Mussolini's regime to 16 years' imprisonment in 1927. Following ten years of incarceration he was deported to Ponza and in June 1939 was sent to the small island of Ventotene.

While there, he and Ernesto Rossi drafted a 'Manifesto for a Free, United Europe', more widely known as the '**Ventotene Manifesto**', which was secretly circulated among the Italian Resistance. In it Spinelli implicated the nation-state in the process that had resulted in the Second World War and argued that a European federation needed to be put in place rather than far-reaching changes in nation-states.

When Mussolini fell in 1943, Spinelli founded the 'Movimento federalista europeo' (European Federalist Movement) in Milan.

He played a major role in the European Defence Community project (which failed), and contributed to the relaunch of the European integration process. Spinelli was responsible for industrial policy and research at the Commission from 1970 to 1976 and was an elected Member of the European Parliament from 1976 until his death in 1986, during which time he strove to lay the foundations for European federalism, mainly by applying two principles:

- 1) first, the principle that States should renounce some of their national sovereignty;
- 2) secondly, the principle that the European people should be involved in drawing up a **constitution** laying down the responsibilities and structure of a new union between States.

II. European notions of federalism

A) How should powers be distributed?

Integration or disintegration?

In contrast to the claims made by federalism's detractors, federalism is based on a system where powers are organised and distributed so that, as the European slogan reminds us, diversity is protected amid unity. Populism and nationalism stem from the public's fear of seeing their countries disappear into the straitjacket of centralised bureaucracy.

In terms of its operation, the federalisation of the European Union is notable for the significant interweaving of national and community authorities. The **principle of subsidiarity** is the driving force behind this, as it means that certain powers cannot be given to the Union or the State if they can be exercised more effectively at regional or local level.

Consequently the aim is not to set institutions in opposition to each other but to get them to work together through a process of reciprocal monitoring with a view to establishing common policies.

European citizenship is a strong symbol of this process of integrating States into a federal system. The concept was introduced under the Treaty of Maastricht in 1992 and it guarantees a number of rights and freedoms (Articles 17 to 22 EC). Every person who holds the nationality of a Member State is automatically a citizen of the Union. Union citizenship is a 'supplementary citizenship'. In other words, European citizenship does not replace or revoke national citizenship, but complements it. It establishes a direct relationship between the national of a Member State and the federation, as is the case in a federal State.

Finally the establishment of a **European External Action Service** will make European States more visible on the international stage. In addition to the traditional diplomatic staff of the Member States, the European Union has its own diplomatic service. The complementary nature of the diplomatic services will increase the Member States' presence on the world stage.

Principles of federalism:

Federal organisation is structured around three major principles:

- 1) the principle of **separation**. Legislative and executive powers are distributed between two tiers of government: a central (or federal) tier and a local tier. Generally speaking, the federal State exercises only those powers conferred upon it.
- 2) the principle of **autonomy**. Each government has a degree of independence at its own level within its sphere of competence.
- 3) the principle of **participation**. The federated States must participate or be represented when decisions are taken at federal level.

It is not compulsory, however, for the above fundamental principles of federalism to be in evidence. There is no such thing as 'typical federalism'. A federal system is never set in stone: it is based on the actual political and social cultures of the institutions with which a balance must be achieved.

In addition to being a political concept, federalism is also an exercise in **political geography**. For reasons of equity it is important that the places where decisions are made and power resides should be distributed among the members of the federal system. At European level, economic power is located in Frankfurt am Main, political power is shared between Brussels and Strasbourg, and judicial power is located in Luxembourg.

The functioning of the European Union is based on **consensus** and **negotiation**. These two principles are characteristic of the way in which contemporary federalism operates, in other words its objective is not to cause too much dissension among the partners. Indeed, interdependence between European political actors at all levels means that the separation of powers must be equitable and just.

B) The sovereign domains of States, and federalism

Federalism is a particularly thorny matter in Europe. Debates on the future of the European Union are imbued with the hues of 27 countries, 27 political systems and 27 sets of differing or shared historical influences. European federalism is not antithetical to the assertion that Europe cannot be built without nations.

It is not the aim of European federalism to merge the Member States into a single, all-powerful supranational structure which relegates States to the ranks of mere counsellors.

States' participation in a federal organisation is a key aspect of democracy as it enables them to take part in the formulation of federal laws, be represented in federal institutions and to participate in intergovernmental negotiation and decision-making mechanisms. It is obvious that the Member States are involved in formulating Union legislation.

However, federalism is based on a **distribution of powers between national and federal entities**. As a result, some powers are transferred to the federal level; this is something that States only ever agree to with difficulty; this is particularly the case where sovereign powers are concerned, as such powers are, as a matter of principle, the basis for the existence of the State and are not subject to any delegation whatever.

Establishing the law

Community law adopts the legal bases of a quasi-federal body of law. The Court of Justice has recognised that Community law created 'its own legal system' (judgment in Case 6/64 *Costa v E.N.E.L.* [1964] ECR 585) which embodies two features of federal law:

- 1) The principle of the **direct applicability of the law**. European directives have effects on the Member States as well as direct effects on legal and natural persons.
- 2) the principle of **primacy**. Community law takes precedence over national law. The European Commission oversees Community law in its capacity as guardian of the Treaties. Some States encounter specific difficulties in recognising the primacy of Community law. It was 32 years before the French Conseil d'Etat (Council of State) accepted that Community law prevailed over French law, for example. To a certain extent therefore, Community law places the Member States in a federal context.

Nevertheless, the Member States are involved in the formulation of Community law. They are therefore direct stakeholders in Community law. For example, a directive can be applied only with the agreement of the European Council and, by implication, the Member States.

Economic sovereignty

Currency

The issuing of currency is one of the fundamental principles of sovereign law. The economic concept of federalism challenges one such principle, however. The central currency-issuing bank is European and is located at Frankfurt am Main in Germany. The European Central Bank (ECB), which came into being in 1998, is a strong economic power and symbolises the pooling of Member States' economic sovereignty as a basis for founding an institution that is federalist in nature.

The global economic crisis has unquestionably had an adverse effect on the economies of all countries, but thanks to the supervisory role played by the ECB, the European currency has remained stable and has even withstood rumours of its demise started by certain speculators. The single currency has been a driving force in the integration of the Member States, demonstrating that there is no longer any need for a separation between those sovereign domains which remain in the control of the States and the other, communitarised domains.

Prior scrutiny of budgets

On 7 September 2010 the Finance Ministers of the EU Member States endorsed the Commission proposal to conduct prior scrutiny of the national budgets. Every year as of April 2011 the Member States will be required to submit their budgets to the Commission and the Council who will give their opinions before the national Parliaments do so. The aim is to identify and prevent any budgetary excesses or anomalies in a period of crisis during which public funds must be subject to more stringent controls.

The scrutiny process amounts to a new control insofar as the Member States are concerned, but in a federal system supranational control of budgets is sometimes necessary to prevent excesses. It should be noted that budgetary control will of course be flexible and appropriate to the situation in the country in question. Audacious, costly reforms will not result in penalties for budgets which are too unbalanced.

Furthermore under this reform the Member States have achieved greater weight on the European stage. The European Council gives its opinion on the budgets. This means that the Member States will give their opinions on the national budgets of other countries, something which had previously been impossible. The underlying idea is that making everyone responsible for scrutinising everyone else will ensure that everyone complies with the stringent rules introduced in this period of crisis. This entails new rights for States and the Commission as well as duties (transparency, balance).

Federal supervision of banking and finance

In September 2009 the Commission put forward a proposal for a package of four regulations and one decision aimed at increasing financial supervision in Europe. One

year later, on 22 September 2010, the European Parliament, meeting in plenary in Strasbourg, voted almost unanimously to adopt the financial supervision package, thereby establishing:

- A **European Systemic Risk Board (ESRB)** to monitor and assess risks to the stability of the financial system. It will provide early warning of foreseeable systemic risks. The ESRB will be based in Frankfurt and managed by the President of the European Central Bank.

- A **European System of Financial Supervisors (ESFS)** consisting of a network of national financial supervisors working in tandem with three new European Supervisory Authorities (ESAs).

The new authorities are:

- the European Banking Authority (EBA), based in London
- the European Insurance and Occupational Pensions Authority (EIOPA), based in Frankfurt and
- the European Securities and Markets Authority (ESMA), based in Paris.

The resulting federal framework of national authorities working in cooperation with, and accountable to, supranational authorities, will make for enhanced coordination and therefore improved risk assessment.

A European levy

In 1951 the European Coal and Steel Community (ECSC) introduced a Community tax on the turnover of the steel and mining industries. The Treaty of Rome also provided for an own resources mechanism for the Union in the form of customs duties levied at Europe's borders. However, trade liberalisation was accompanied by a corresponding fall in revenue and such receipts now finance only a negligible proportion of the expenditure of institutions which are continually growing.

Furthermore, if the European Union had greater own resources it would be able to address the refusal of its Member States to increase its forthcoming budget (2010-2020). Indeed, 75% of the annual Community budget of EUR 140 billion is currently funded by Member States' contributions.

That is why the idea of a European tax levied directly on citizens is resurfacing. It would consist in **not levying a new tax**. Several possibilities have been mooted. A reduction in VAT in the Member States would, for example, allow the Union to levy the equivalent of the difference for its budget. This would have no effect on the status quo for VAT or would even result in a reduction if the Union did not levy the difference.

Another possibility is an auction of CO₂ emission allowances from 2013, which should raise over EUR 30 billion a year. As the emission allowances are the product of green EU fiscal policy, the EU could recoup the benefits.

This project is not for the short-term, however, because States are very reluctant to countenance a transfer of sovereignty of this kind. The power to raise taxes is of key importance for a State. As a result, Berlin, Paris and London, three of the four largest contributors, oppose the proposal. Only Belgium has declared itself in favour.

C) Why European federalism?

At a time when many problems are emerging in many Member States of the European Union, federalism can act as a fallback option for regulating the many sectors which have hitherto been subject to goodwill on the part of States.

Some of the countries in the European Union are federalist, namely Germany, Austria and Belgium. Moreover, some centralist States such as Spain, Italy, France and especially the United Kingdom, have experienced gradual change in the distribution of powers among their regions. The changes show that there is an expectation in certain countries that powers should be distributed rather than centralised. That expectation can be met on a continental scale thanks to the European Union.

It is evident that European States need the Union in order to enhance their presence on the international stage. The States must therefore act together. To that end, it is apparent that decisions need to be taken based on consensus, involving both levels of government (national and federal). This vision of policy will have a calming effect on relations between the Member States because the interests of all of them as a group must take precedence over the interests of each of them individually.

The European Union is part of a federal approach because it is based on a distribution of powers, the legal scope of Community law, the role of Parliament and therefore of civil society, and the notion of European citizenship.

Moreover, it is apparent that some areas which have hitherto been in the hands of the States have become hampered by difficulties with intergovernmental cooperation. The management of the internal and external frontiers of the Union, visa policy, the right of asylum, immigration and judicial cooperation have become Community matters.

The federalist method is open to the future: a federal Europe is necessary in a Europe of 27 members, a Europe in which the integration process is a powerful thing both for new entrants and the EU's preferred partners.

Is it true that public opinion is also calling for European federalism?

The reply is clear from the results of a survey conducted by [Puissance Europe](#) through Respondi, a Paris-based European provider of online sample groups which showed that, among young French people aged between 18 and 29, 55.1% are in favour of a *'United States of Europe with a genuine constitution, the euro as its currency, common security and an ambitious strategy for sustainable development'*.

Other results were as follows: 'the status quo (things stay as they are)' (15.3%), 'the European Union as it currently stands pursuant to the Treaty of Lisbon, but further enlarged' (10.5%) and the rejection of a fourth option: 'return to the national State, abandonment of the euro and closure of borders' (13.4%).

III. The ALDE Group and federalism

There are no genuine European political parties, nor is there any common political awareness at Union level.

The ALDE Group is trying to bring a European political awareness into being in order to involve European citizens in European political life and reduce abstention rates at European elections.

Andrew Duff, an ALDE MEP (LibDem, United Kingdom) has written a pamphlet entitled 'Post-national democracy and the reform of the European Parliament' whose proposals must be implemented in time for the next elections in 2014. Its key priority is the establishment of a genuinely European list of candidates. '*[I]t will Europeanise the election campaign, bring politics into the campaign and galvanise European political parties*'.

Another proposal is to give each European voter two votes, one for a national candidate, as is the case now, and one for a group of 25 MEPs elected on a pan-European basis.

The proposals would give MEPs, and therefore European citizens, greater weight vis-à-vis States. Nonetheless, the reform is an aspect of complementarity. Mr Duff explains that '*It's not going to destroy the power of States...it's going to supplement the control that the State's national political parties have on the process with a more direct influence by the EP and European political parties.*'

The Spinelli Group

On 15 September 2010, acting on an initiative by **Guy Verhofstadt**, the President of the ALDE Group, **Daniel Cohn-Bendit**, Co-President of the Greens Group, **Isabelle Durant** (ALDE [sic], BE), Vice-President of the European Parliament and **Sylvie Goulard** (ALDE, FR), a federalist group at the heart of the Community institutions was founded: the Spinelli Group.

In tribute to the federalist ideas of Altiero Spinelli, the aim of the group is to move beyond parties and European institutions and to bring together all those in favour of the communitarisation of policies. By putting the European interest above national interest, the group hopes to found a pro-European movement. It meets a few days before each European Council meeting.

Guy Verhofstadt, the President of the ALDE Group sets out his federalist vision of Europe in his book 'The United States of Europe', and notes that *'this is not an ideological or political group. It's a pro-European group'*.

Several issues illustrating the priorities of the Spinelli Group were tackled at its first meeting on 10 November 2010:

- A European budget based on own funds
- Dialogue between Europe and its citizens (the citizens' initiative), national Parliaments and social partners
- Economic governance
- European defence (European army)
- Europeanisation of European elections (transnational lists)
- The European patent

To date 68 MEPs have signed the Group Manifesto, which can be viewed on the internet at <http://www.spinelligroup.eu/>.

See also:

[The ALDE Group website](#)

[The website of the Union of European Federalists](#)