



Union of European Federalists
Union Europäischer Föderalisten
Union des Fédéralistes Européens

in partnership with



**A FEDERALIST AGENDA FOR EUROPE,
THE BALTIC PERSPECTIVE:**

*Challenges and opportunities
for European Security & Defence
and Economic & Political Union*

REPORT

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A FEDERALIST AGENDA FOR EUROPE, THE BALTIC PERSPECTIVE

Venue: Constitution Hall, The Seimas - Lithuanian National Parliament

Opening greetings from:

Vytenis ANDRIUKAITIS, *European Commissioner for Health and Food Safety*

At this time the crucial question is: what is the cost of non-Europe? There are huge problems with intergovernmentalism; finding a consensus among 28 members every time is impossible. A more federal European Union should take inspiration from the federal structures of Switzerland, Germany and The United States but must emerge as a new form of a supernational federalism. There is a need to fight for federalist ideas here in Lithuania. A new European Convention is required to define a new Europe.



A video message from:

Guy VERHOFSTADT, *Leader of the ALDE Party and member of the Spinelli Group in the European Parliament, Prime Minister of Belgium (1999-2008)*

Now is the time for action and a political union. In the face of numerous crises: refugees, the authoritarian regime in the east, the Eurozone. It is clear that these problems cannot be fixed nationally. The economic union must become a political union with a treasury and its own resources and a united foreign policy. Europe must be a union with a military force and a strong leadership. Citizens should be able to vote on European lists at the next election. There are federalist solutions to the problems Europe faces.

CHALLENGES AND OPPORTUNITIES FOR THE BALTIC STATES

Petras AUŠTREVČIUS, Member of the European Parliament, President of the Union of European Federalists Lithuania

This conference is an opportunity to share our thoughts and draw a common vision for the future of Europe. Today's union is ever stronger but not perfect. In the challenges being faced there is a clear choice: progress through further integration or stagnation and division. The current union is too often mixed up and ineffective. What does an ever stronger union mean? There is a need for a full monetary and fiscal union. There is a true cost of non-Europe: €1.6 trillion. Integration into the single market and increased competitiveness has helped the Baltic countries. As strength is to be found in a common defence, the need for solidarity for refugees cannot be overlooked.



SESSION I: TOWARDS A EUROPEAN SECURITY & DEFENCE SYSTEM

Keynote Speech:

Elmar BROK, *Chairman of the Foreign Affairs Committee in the European Parliament, President of the Union of European Federalists and Co-Chair of the Spinelli Group in the European Parliament*

This is a crucial time. The situations in Greece, Russia, the Middle East and North Africa are crises, as Jean Monnet said “Europe will be forged in crises” and solutions will be found at these difficult times.

European foreign security policy has developed since the Balkan war – there have been successes: Europe now has a “Foreign Minister” in the form of the High Representative for Foreign Affairs and Vice President of the Commission. This is great progress but still falls short compared to the challenges.



Facing Russian aggression in Ukraine, the EU found a common position in the sanctions that have now been extended and are working – they are a problem for Russia. Now is the time to provide an answer for the internal development of Ukraine: to fight corruption and develop a modern economic system. Supporting Ukraine will demonstrate the success of European values, this is the best answer to Mr Putin. The European Union’s soft power is to make Ukraine a success story.

The Baltics have demonstrated the success of developing democracy, the rule of law and the market economy. The same is true in East Germany. Germany voted for reunification for two reasons – freedom and to improve the conditions of living. These two go hand in hand. The territorial integrity of nations must remain. Europe does not “export” democracy, but if a country votes for it, it must be supported and Russia must not interfere.

On the current refugee question, discussions have focused on addressing the symptoms. Decisions on asylum and home affairs remain intergovernmental and this method is flawed. European legislation is needed to define safe countries of origin, a European Coastguard is required. Across the continent local authorities blame regions, regions blame the nation, and the nations blame Europe. This proves what Federalists want – not a centralised Europe, but rather for decisions that cannot be made by the nation state to be made at the European level. Doing this by unanimity fails: federalists must make this clear.

Managing the people arriving cannot be left to individual Member States. Refugees should be able to be registered outside the Union. Europe must cooperate to stop people smugglers. Fair solutions must be found for people that need to come to the EU. While some countries are less experienced in welcoming people from abroad, solidarity has to work both ways. Members cannot only take from Europe when it benefits them.

A mass exodus has started for two reasons. Promised financing for the world food programme was not delivered – this is Europe's fault. There is a need for an extra EU budget to finance this spending. But finance ministers call for a reduction in budgets. This is irresponsibility on the part of the Member States. Europe could have a huge impact if it funded refugee camps in Turkey, Lebanon and other countries.

However difficult or desirable, working with Russia will be essential to solve problems in the Middle East. The agreement in Iran shows this is possible when common interests are shared. Europe is worried about refugees, Russia is worried about ISIS in the Caucuses. The Middle East is a proxy war between Saudi Arabia and Iran. This is a question for Europe. If a Member State acts alone, nobody cares, but by acting together, as the biggest trading power in the world, Europe can have a real impact.

Europe must deploy this economic strength, its soft power. Negotiating with Europe currently means speaking to 28 different foreign ministers – this is a joke: a trick to our own citizens. Only together does Europe have power. Only together is Europe equal to the Russians, to the Americans. Only by acting together can Europe work in Africa; as Libya demonstrates, it is not enough to act alone with no plan for what happens next.

However, there is also a need for hard power – this makes the soft power work. Without NATO there is no collective security. The EU must work with NATO. Europe spends more on defence than Russia and has more soldiers than the United States, but lacks their effectiveness. Europe must work together. The cost of non-Europe on defence is enormous. The failure of the last summit in June was a catastrophe.

NATO wants a strong EU and a strong EU military. At a time of economic crisis increased spending on military cannot be justified, but the same effect can be found but working together to find efficiency in common operations. A longer term goal must be a European army, constitutions will have to be changed to enable this. The European parliament will have to provide parliamentary control over this army. In the meantime steps toward this goal must be taken to ensure that Europe is taken seriously.

Interventions from:

Veiko SPOLĪTIS, Member of the Parliament of Latvia, Member of the Defence and Internal Affairs Committee

Modern common European defence has already existed for over seventy years. From the Western European Union to the Maastricht treaty, there have always been references to common defence. Since 1999 Europe has had a common security and defence policy and since France joined NATO there is a need for the EU to work with NATO to ensure European defence.

The Russian army counts 0.7million regular forces and the USA 1.4million but the EU exceeds both with a combined strength of 1.9million. Counted together, EU conventional forces dwarf Russian and even American strength. But the numbers mean nothing with “28 pentagons and 28 state departments”. A federal army must come.

Every crisis makes the EU stronger and more integrated. There is a need for a new European Convent. There is a need to change the treaties and make Europe more federal. It will be too late by the time the next crisis comes. All federations have common foreign and defence policy, the EU should not be any different.



Arnoldas PRANCKEVIČIUS, Adviser for External Policies, Cabinet of Martin Schultz, President of the European Parliament

With the Greek and Ukrainian crises still to be solved, Europe faces a new crisis of refugees. As pope Francis said in the European Parliament this year: the EU has lost its way. Europe finds itself surrounded by conflict and attacked from within by anti-Semitic, homophobic and nationalist forces fighting against the very things Europe is built on. The paradoxical alliance of extreme right and left is anti-American, anti-

European and pro-Putin. Their goal is to undermine the European model, stop integration and withdrawal into our former borders.

As has been said, Europe is born of its crisis. A common Asylum and Migration Policy is required. The EU's foreign policy is currently the 29th foreign policy of the Union, it fails to meet the challenges and yet does count successes – such as the sanctions against Russia. Perhaps Russia is not dissuaded, but it is certainly contained.

Enlargement must not be forgotten or brushed away. Europe is the goal for Serbia, Bosnia and other countries. Europe must not give up the most powerful policy tool it possesses. Europe must be more strategic. Ukraine must become a success story – conflict, economy and corruption must be worked on. Attention must not be distracted from Ukraine.

China sees Europe in terms of competition and cooperation between the world's major regions: China, India, South-East Asia, the USA, Latin America are all powerful players, Africa will become a world region too. Chinese President Xi asks: Is Europe a world region? As 28 divided states Europe is not a united and influential region.



Renaldas VAISBRODAS, *Chief Foreign Policy Adviser to the President of Lithuania*

Today a serious crisis is being faced in the people coming to Europe. There is a need for unity. President Grybauskaitė has been very clear about our willingness to act with solidarity and accept the numbers provided by the European Commission. But these numbers are just a drop in the ocean of the total numbers coming to Europe.

There is no lack of crisis on the agenda: refugees and the Ukrainian question, there is a need for effective sustainable solutions. Greece faces elections once more, discussions in the UK ahead of their referendum

must be had. Can Europe act together? Can a full union be achieved? Is there a way out of the EU or is there a way of accommodating Member States that do not share the vision of a more united Europe?

Europe is late in finding solutions and constantly dealing with the symptoms. Europe is a scapegoat for more local or national problems. It must be made clear that Europe can offer the solutions to the problems that are faced today. Europe must be able to deal with cyber security, propaganda and hybrid threats in neighbouring regions. If the EU has no strategic perspective then there is a limit to what can be delivered.

Ukraine's transformation must be able to be rewarded by enlargement of the Union. Lithuania demonstrates the successful enlargement policy. In Europe there are no big countries, there are just countries that don't know they are no longer "big". Europe must realise and accept its position as the biggest project of peace and success on the planet. By standing united Europe is able to punch above its weight.



Emanuelis ZINGERIS, *Member of the Seimas, Member of the Committee on Foreign Affairs*

The difficulty of gathering 28 people to a meeting is clear and makes a quick reaction impossible. The European Parliament must lead the way. It is difficult for politicians to make unpopular decisions. There is a need to be responsible within a union and politicians must act responsibly. Remembering the dangers of populist ideas emerging from a democracy such as in Germany in 1933. That the EU emerged following this is a lesson that must not be forgotten. If Ukraine turns away from Europe then Russia would stand down. But there is a call for democracy from all traditional parties and a need for these parties to be committed to a federal union to counter populist movements. Ethnicity must never play a part in the future of Europe, our history must not be forgotten.

SESSION II: FROM A MONETARY UNION TO AN ECONOMIC AND POLITICAL UNION

Keynote speech:

Andrius KUBILIUS, Member of the Seimas, Prime Minister of Lithuania (1999-2000 and 2008-2012)

There is a need to see the bigger picture. The European Federal Project started with the Treaty of Rome. Compared to Rome, the Treaty of Lisbon is much more federalist. Europe moves in this direction. Reflecting on the first sixty years of this journey offers the opportunity to look forward to the next sixty. How will things look? A much stronger federal Europe.

Europe must always move forwards. When compared to other federal states, Europe is a little different, but it is becoming stronger over time. Europe acts following crises, it does not act to prevent crises. Europe reacted to the economic crisis and will react to the refugee crisis too. The result will be some form of more integrated, stronger union, perhaps with a federal border control.

To look to the future: in ten or twenty years there are two major challenges. The first challenge is global competitiveness – Angela Merkel describes this with three numbers: Europe has 7% of the global population, 20% of the global GDP and 50% of the global social spending. The second challenge: global instability and defence. The neighbourhood policy was for friendly regions around the borders, Europe is now in a ring of fire.

On global competitiveness. British Prime Minister David Cameron is wrong when he says that a Federal Europe is a barrier to competitiveness. China and the USA are more integrated. A lack of federalism is a barrier to competitiveness.



On stability in the neighbourhood. In the east the major challenge is Russia. Europe has suffered at the hands of Germany and Russia. After WWII a federal Europe brought stability and prosperity. Attempting to influence Russia through partnership and appeasement has failed. The only instrument that remains is ensuring the success of Ukraine. This means a strong enlargement agenda. The promise of reward for accepting reforms has worked in Lithuania and it must work for Ukraine. It will not provoke Russia to extend EU membership to the east, this is a misunderstanding of the Russian mentality. Europe must move forward with enlargement.

In the Middle East, the situation changed at the moment that the US became self-sufficient for oil. This is a tectonic shift in the region's geopolitical situation. In physics there are moments of equilibrium and moments of change, this is just such a time in the Middle East. One can only guess at the future map of the Middle East. Europe must look to what can be done to improve the economic situation there. European farming subsidies are a block to stabilising the region.

It is time to move forward to a federal Europe.



Keynote speech:

Klaudijus MANIOKAS, *Chairman of the Board, European Social, Legal and Economic Projects (ESTEP)*

There is always a simple, convincing and false solution to every complex question. The crises that are pushing Europe are clearer than ever. Citizens should accept that Europe currently lacks the unity to deal with the challenges it faces. Real solutions come from balancing the functional needs of “economies of scale” with separate national ideas. Just hoping is not enough to ensure a stable future. A crisis can be a moment for reform but can also be problematic. Not every crisis leads to a solution. There is a clear possibility of a crash. Eurosceptics argue that Europe is over optimistic and has no contingency planned because it is considered as a counter to the consensus. But contingency is required. The EU Army and Political Union is not yet in sight.

On the economic and monetary union, [the Five Presidents Report](#) offers clear proposals dealing with convergence, financial union and issues relating to fiscal union and also legitimacy and related competency issues. Everything begins with convergence, this is the core of the issue. The mechanisms that hold the Eurozone together require convergence but the solutions and means are not to be found in the proposals. The report suggests steps which could be effective but misses the key issues: the situation in Greece, the nature of particular political regimes. The “EU voice” is missing from crucial discussions.

Some issues such as creating a banking union have huge implications. Legitimacy is also a big issue. There is a need in the long term for better engagement with citizens. The short term fix is a Europe which delivers: growth, jobs. It is important to build a Europe that is loved, but first it must be accepted.



Interventions from:

Žilvinas ŠILĖNAS, President, Lithuanian Free Market Institute

What should a federal Europe look like? Should there be more Europe or a federal Europe? This depends on perspective. The free market EU that has intervened to prevent state support is to be commended.

Governments don't trade with each other, people do. Barriers to trade should be abolished. Will Europe be about free trade or about regulation? Will a Federal Europe be a Europe of Four Freedoms or a Europe of Four Thousand Restrictions?

A federal Europe could provide useful infrastructure of truly pan-European significance, but there is a danger of white elephants and getting stuck in red tape: the Common Agricultural Policy is a relic.

Will the future of Europe exist to ensure life, liberty and the pursuit of happiness or intervene to restrict freedoms? Nationalists and communists hate the EU but they are fringe groups.

A federal Europe should enhance freedom and liberty.

Rokas GRAJAUSKAS, *Chief analyst, Danske Bank for the Baltic States*

Europe and the Euro in particular face huge macroeconomic imbalances. Collective exchange rate regimes are not new, there was once the gold standard and later the Bretton Woods system. From the economic point of view the Economic and Monetary Union (EMU) reflects this tradition and of course shares their weaknesses.

The single currency is currently hugely overvalued in certain areas of the Eurozone. Under normal circumstances, when Finland's economic situation changed from net exporter to net importer they would have devalued their currency, with the Euro this was not possible. The opposite is happening in Germany. The Euro lost 15% of its value against the dollar in the last year. The Euro is undervalued for Germany. There are huge imbalances in the common currency at the moment, some courtiers are being strangled.

One solution to these economic imbalances is the internal movement of workers but this is difficult within our multi-nation union. An alternative solution is austerity, which is both difficult and unpopular.

At present Europe is losing the battle against the fundamental principles of economics: how to efficiently restore the competitiveness of countries that have suffered severe economic shocks. The only method to do this effectively is to create fiscal systems to transfer the burden from those countries that are suffering to those that are booming. The USA does this, poor states receive fiscal transfers worth up to 20% of their GDP. Europe's structural funds are nothing like being in this region and their aim has no relation to dealing with asymmetrical shocks. The USA's power comes from the strength of the "dollar area".

These issues must be dealt with, if they are not dealt with countries will leave the Euro and the project will fail. Another unexpected shock in the short to medium term could cause the system to collapse. Without a true fiscal union Europe is just waiting for this to happen. Action is required immediately.



Paolo VACCA, Secretary General, Union of European Federalists

Questions and doubts have been raised about the weaknesses Europe has. It is important that pro-Europeans answer these questions. Twenty-five years ago American economists expressed doubts about the potential for the Euro to succeed: there is too much divergence, there is no political structure, why not keep the flexibility of keeping independent currencies?

What they failed to understand was that the Euro is not just a currency project: it is a political project. Indeed, a geo-political project. Being a part of the Euro demonstrates the will of Europeans to stand together in unity.

But the Euro is a strange construction: the only currency in the world without a state. This has consequences. The Euro has been built without European-level regulation, without European-level structures to deal with shocks. Since Maastricht the Euro has been built as if oblivious to the need for political structures to support it. Member States are beginning to realise that something needs to be done.



Van Rompuy recently said that governments only make decisions once they have a knife to their throats. The [five presidents](#) are very shy, there is always a plan for 20 years' time and the target keeps moving. Experience from mature currency unions points to what Europe is missing. Progress must be made on completing the single market for telecoms, energy and digital services. A true fiscal union is required to balance economic differences across the Union. The Eurozone needs to have the power to raise its own resources and utilize them to smooth imbalances among member states, address economic shocks and conduct an economic policy in the interest of the Eurozone as a whole.

We need to move from a purely rules-based system, where Europe only puts constraints on national budgets to a system where the Eurozone authorities add value by conducting a European economic policy.

Obviously this leads to the requirement of a political union, because decisions must be legitimate and taken democratically.

The real issues are economic, not financial. To return to President Xi's question: What does Europe want to be? A relevant regional player or 28 divergent small countries? What kind of Europe do citizens want to see? In a truly democratic Europe the citizens will choose wisely.



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