

Amato and the EU: Need Trumps Love

by Donato Speroni

Former Italian Prime Minister Giuliano Amato was among the early architects of the new European Union, playing a key role in the framing of its constitution and the drafting of the Treaty of Lisbon. He sees the ongoing euro crisis

as a reflection, as least in part, of EU states paying too much attention to their own priorities and too little in regulating common currency conditions and prospects. The task at hand doesn't involve technical fixes but a larger re-commitment not only to the currency by to the spirit of Europe, mindful that it will always contain its share of contradictions.



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“Are we still convinced that, in the 21st century, staying together, working together and, therefore, finding common solutions to the issues before us will lead each and all of us to more prosperity?” In a joint opinion piece written for the Financial Times, as Europe’s sovereign debt crisis raged, former Italian Prime Minister Giuliano Amato and Unicredit bank Managing Director Federico Ghizzoni, reflected on the reasons behind the European Union. If people fail to convince themselves that Europe will bring advantages for all involved, they said, “no technicality will save the indebted countries, the banks that own their bonds and, eventually, the euro and our common construction.”

But it’s not easy getting past technicalities and into a new European Spring. East discussed the matter in greater detail with Amato.

How will the ongoing situation end, in your view? Will the crisis strengthen or weaken the prospect of greater integration?

Both outcomes are possible. There are centrifugal, self-destructive forces at work, but the survival instincts generated by these same trends may help stimulate a “pars construens,” which sees the crisis creating things that didn’t exist before. We have already some positive signs in that regard.

So far, between the prevailing two logics in Europe, the community and the intergovernmental, the intergovernmental has prevailed, divesting the European Commission of its role as the driving decision-making force and handing this role over instead to the European Council, which consists of heads of state and governments.

So far, the solutions developed by the European Council tend to strengthen the fabric of integration. A state-saving fund has been created, as well as control and supervisory bodies to focus on the day-to-day, starting with the

Fireworks light up the sky during the Lisbon ceremony to mark the formal introduction of the European Union’s Lisbon Treaty in 2009.

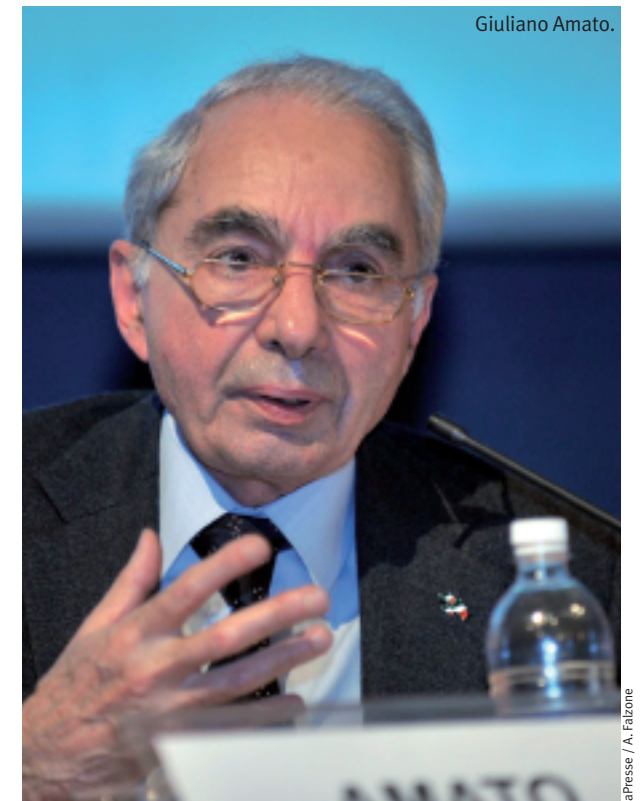
The treaty was intended to streamline EU decision-making in the wake of enlargement. Agreed upon in December 2007 in Lisbon, it took effect only after all 27 member states signed.

banks, which were previously under the exclusive control and supervision of individual states.

In short, we’re gradually creating the conditions for greater integration necessary for some time now.

Why create a euro without adequate powers if the potential shortcomings of this approach were known from the start?

In the late 1980s, when the common currency was created, “we decided to decide” that the coordination of national economic and fiscal policies was more than enough. Many people issued warnings. They said, “Look, a single currency needs of central institutions that can intervene when shocks hit member states that they can’t cope with.” We answered, with considerable some cheek, that the coordination of national economic policies would be sufficient to create defense mechanisms. We were wrong. It took the first big storm, created by an excess of sovereign debt, to make us notice.



Giuliano Amato.

LaPresse / A. Falcone

Now that everyone knows, what's next?

Will an accelerated crisis lead to accelerated solutions?

In any event we have to ensure greater economic and financial integration. Probably the most convincing script so far is the Europlus deal, which calls not only for coordinated policies but also for genuine harmonization within the fiscal and labor markets. Like it or not, this is exactly the kind of thing that integration brings. But a signed agreement between governments isn't enough to get us there. We need the European Council and national parliaments to adopt legislation no one ever sought.

Financial Times columnist Wolfgang Münchau, reflecting on crisis management, wrote: "For Britain, Sweden, Denmark and other non-eurozone countries the question is no longer simply whether they should join the euro, or not. It is whether they want to remain in an organization with which they will have increasingly less in common."

Is there a real risk that a strengthening euro zone exerts a centrifugal force on other countries of EU states?

It's obvious that what's happening is the opposite of four years ago, when the Lisbon Treaty was approved in a climate of vivid national demands. At the time we were convinced that the euro wouldn't be able to make further progress in Europe.

I wrote and insisted on the approval of an article of the Treaty that specified just how eurozone could develop greater mutual coordination, but it was a dead issue for a long time. The idea was that enhanced cooperation would come in the fields of defense, industry, energy, but not in terms of the eurozone, an area seen as having too many contradictions, or so it was said. Pushing further integration wasn't seen as feasible.

What happened?

That what's been built so far will fall apart unless integration isn't made an immediate priority, as the Delors Report of 1989 suggested. The force that pushes us to integrate at least equal to the mutual hostility that divides us. We're finding the two forces inexorably linked. Helpers put conditions on the helped, knowing at the same time that both might sink. There's deep mutual hostility, but at this stage it's inevitably balanced off by the need we have for each other.

In short, global challenges and market pressure are forcing us to coexist?

Yes, at the moment it's a union of convenience rather than one of shared ideals. Like couples who decide to adapt instead of divorcing because the partners can't really do without each other. You have a nice talk about values, family and marriage, but inside you know it's really about self-interest.

Wouldn't a bit more idealism help out? Isn't a Europe put together this way at risk of alienating people?

Of course it would. We have to work to recover it. But the same holds true for states. Are people closer to Italy or to Europe? Even in the United States, at least according to a Herald Tribune poll, people increasingly distrust politicians. We're living in indignant times. Today, European institutions aren't that far removed from national ones in terms of low popularity, thanks in part to Rome's slow and ponderous steps. Polls tell us Italians still favor the euro. Sure, if we had the lira we could devalue it, but that would be like going from the frying pan into the fire. Imagine the spread if that happened...

A COMPLEX UNION

The Treaty of Lisbon and the euro crisis have made European institutions even more complicated. Here is a short glossary of what's new.

TREATY OF LISBON

The pact, which went into effect on Dec. 1, 2009, established new rules of European Union governance. It was drawn up to replace the European Constitution rejected by "no" votes in the French and Dutch referendums of 2005. The European Convention on the Future of Europe, chaired by Valéry Giscard d'Estaing, with Giuliano Amato and Jean-Luc Dehaene as his deputies, had drafted the Constitution. After its rejection, Amato led the "Action Committee for European Democracy" (ACED), which helped prepare the Lisbon text while preserving most of the innovations contained in the Constitution.

EUROPEAN COUNCIL

Established by the Treaty of Lisbon, the European Council

Can European institutions be made more popular?

If Europe had a more concrete way of outlining better future, not in spiritual but in terms of prosperity, it might come close to recouping its popularity in the past. United Europe's great decades were swelled with idealism, peace foremost. But what rooted Europe in the hearts of the peoples was well-being: Cheaper products thanks to a single market.

What can Europe promise in the context of such an uncertain future?

Well-being that's better than what could be achieved alone. Individual states would have a harder time negotiating and trading, shoved aside by increasingly strong third party economies. There's the added value of a united Europe being able to tackle the world's big problems. But this side never comes out, because what keeps us together is perceived instead as a constraint. It's a complex situation in terms of mass psychology.

Would people be more convinced of Europe if it had a joint growth plan?

It is composed of the heads of state or governments of member states, as well as the president of the European Council and the president of the European Commission. The Treaty established a permanent president of the European Council, elected by the European Council by qualified majority for a two and a half year term. Former Belgian Prime Minister Herman Van Rompuy is the incumbent. The EU foreign affairs minister, a position held by Briton Catherine Ashton, also works with the Council.

COUNCIL OF THE EUROPEAN UNION (OR COUNCIL OF MINISTERS)

This body consists of a minister for each of the 27 states (or the head of state at summits) with the presidency shared in six-month intervals by member states. Poland holds the presidency for the last half of 2011. The European Council has reduced the role of the EU Council while keeping it alive.

EUROGROUP

In addition to the European Central Bank, the joint man-

agement of matters of importance to euro states is entrusted to this body, composed of the economy and finance ministers of the 17 euro states. It usually meets a day before Ecofin, the body that brings together finance ministers. The Eurogroup's incumbent president is Luxembourg Prime Minister Jean-Claude Juncker. Recently, however, the severity of the crisis led to the establishment of a Eurogroup Summit, which gathers prime ministers. The Summit elects a president ("Mr. Euro"), a position held for now by the European Council's Van Rompuy.

But how would these large European projects be funded?

Through Eurobonds issued by the EU?

European projects are necessary because we're in a phase where states are being asked to reduce expenses. Europe is the most qualified target for resources that are then funneled into appetizing markets.

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EURO-PLUS

The Euro-Plus Pact (or the Pact for the Euro) was approved in March 2011 by euro area heads of state or governments. They were joined by Bulgaria, Denmark, Latvia, Lithuania, Poland, and Romania. The body seeks to increase competitiveness and convergence levels in operating in areas previously governed by national decision-making alone. The signatories are committed to announcing a series of concrete measures.

In an interview in Gianni Moro's book [SEE BOX], Romano Prodi writes that the euro was born "as the fruit of a deal (after long negotiations) between France and Germany to forge closer links between the two countries and make the European Union irreversible." The Franco-German axis was already strong at the time of birth of the euro?

Certainly the French and Germans thought the euro was something for themselves and their neighbors. They were surprised, not necessarily in a positive way, when saw some other passengers at the station carrying baggage that could fit.

But to me it was natural that the two strongest countries were most concerned about Europe.

Especially since the third country, Great Britain, had chosen a peripheral role, in line with Winston Churchill's approach, namely that a united Europe is a good thing, but for the Continentals.

But Italy is a major "Europeanist" state and among the founders.

True, and in the recent past I've seen moments in which European institutions seemed to join Germany with Italy, even more than with France. But now we're among the debtor states, downgraded to an average power. But the



AP Photo / M. Probst

STRONGER THAN IT LOOKS

What changes has the euro brought into the daily lives of European citizens? In their new book "La moneta della discordia" (The Cooper files), sociologist Giovanni Moro and coauthors Lucia Mazzuca and Roberta Ranucci attempt to answer the question. The text emerges from "The Other Side of the Coin" program promoted by Fondaca in 2009. Fondaca is a European think-tank headed by Moro dedicated to studying issues of citizenship as well as probing the viability of new forms of governance.

Writing in "Corriere della Sera," reviewer Federico Fubini explained that the authors sought to "pull up the submerged nets that hold the euro together in terms of culture, identity and citizenship." While the single currency faces dark days, its decade-long use has cemented common behavior among its users. According to Moro and his colleagues, the currency has created "a new operating environment that consists of three main elements": a shared language (in a Europe dominated by many languages, the euro is a common denominator); a new shared territory, the eurozone; a new system of communication, "which can be verified just by looking at your change purse to see in how many countries euro coins are minted."

Will all this be enough to save the euro in a time "dominated by fear of recession, of unemployment, of immigration, of the faceless forces of globalization, of technocrats in Brussels and Frankfurt, and also of national governments increasingly spurned as legitimate representatives?" Economist and former Italian Prime Minister Romano Prodi answer the question in the interview that closes out the book. "In truth, the euro is much more robust than it seems," says Prodi. "The only ones who might be interested in breaking it apart are the Germans." But German public would then have to deal with fallout from the business community, which according to Prodi knows that "the euro's strength lies in the fact that no state devalue its currency against Germany's."



more institutional integration takes root, the less you'll feel the weight of the two major political players.

When you mention institutional integration, do you mean the eurozone or all 27 states?

The existence of the euro and its rules provides a tremendous boost.

The euro was conceived of in 1992, and contained a far-sighted legal system. It is not the currency that emerged as a result of strengthened cooperation among certain states. It's Europe's currency. The euro is different from the Schengen Convention.

The abolition of borders between some states was about areas of special cooperation, that, when it became convenient to all, were included into the whole, *acquis communautaire*. The euro was *acquis communautaire a priori*. It is the currency of all EU countries except those that opted out, namely the United Kingdom, Denmark, and Sweden. The other seven are still out because they're not yet ready to be in.

What's the difference?

Since the euro is the currency of all, the forms of integration that are being built between eurozone countries are set up to include the countries that gradually join in. The result will be "wonderful" problems for the countries that don't want in. If they feel excluded they'll have only one option: Leaving the Union.

That's paradoxical when you consider that in recent months everyone's been speculating on Greece and maybe others leaving the euro zone.

You're saying that non-euro countries will have to leave.

I always wanted riot-making countries to face a choice: either do as others do, or there's the door. I'm the one who introduce the secession clause into the European Constitution and then into Lisbon Treaty. That didn't exist before. This clause creates the conditions to get rid of those who just don't fit.

Let me be clear: I don't think anyone's leaving. But you have to be able to tell the British and the other countries opting out: You're in the Union, but really want to be out, and in the meantime have advantage of the situation to negotiate special and selfish conditions.

We're cutting lots of slack in the hope that those countries will accept the concept and the conditions of greater integration.

And if they don't?

In any case, we can't imagine a lopsided Europe up against the waves of the future. It's best that EU countries be one the ones that want to be together. If you spend too much time trying to haul people into a raft you all end up drowning.

Could the single currency have been built differently?

Certainly. We didn't need this deep a crisis to know that. We needed to flank the euro with a road map, albeit a gradual one, a phased approach to national budgets. This would have put the EU in position to supply own currency guarantees.

I understand the German taxpayer who says: "But then I'm the insurer of Eurobonds." But a currency without denominated government bonds is strange one. The road map didn't happen because everyone wanted to maintain the economic and fiscal policies in national hands: It's as simple as that.

Was the 2004 enlargement with 10 new countries a mistake?

It wasn't good or bad. There was no other way. The institutions necessary to govern the Europe of 27 was created three years later, but I don't think the delay made much difference. The newcomers didn't bring the problems. They came from those who'd been in the euro for years.

Do you favor further enlargement?

I don't know Europe's confines. I do know the Western Balkans should join because you can't have Croatia and Serbia join and leave the others out. It's different with Turkey, but Turkey so strong that it's presence would only be a benefit.

A strong eurozone is a guarantee against the boat being rocked in the event of further enlargement. I believe that future situations such as the one presented by Greece, which submitted incorrect financial data, won't be possible. Europeans checks will be too stringent to permit a repeat.