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## **WITHOUT A EUROPEAN FEDERAL STATE EUROLAND IS IN DANGER**

The day of reckoning is coming for the world economy.

The dollar increasingly having difficulty in remaining the reference currency for the international monetary system, and the US market alone is no longer able to fuel the growth and development of the world economy. But no currency and no economy in the world right now can play similar leadership roles, nor can it become the hub of a new more stable monetary system, that can reconcile the development needs of trade and economy with those of a fairer redistribution of wealth and a more rational use of environmental resources.

On the monetary front, the policies put into place in the Eurozone and by China have contributed to reducing the leading role of the dollar, but they have not been able and are still not able to create a credible and evolving alternative political-monetary order. The Euro and the Renminbi have therefore contributed to raising the problem of the overcoming of the Bretton Woods order, but without being able to contribute to resolving it. In fact behind the Euro there is no State capable of being a guarantor of development policies either on the European continent - through a European economic policy that the European Union is neither able to elaborate nor to put into effect - or outside of it - through a European foreign policy that the European Union is neither able to elaborate nor to put into effect. The Renminbi, on the other hand, is an instrument that the Chinese Government has been willing to use to put the needs of China's internal development and foreign policy before global interests.

When it comes to international trade, the USA are carrying out an increasingly aggressive monetary and economic policy on exports, both to try to make up the frightening accumulated deficit of the last few years (for some time already American exports have been growing at a higher rate than imports), and in order to prevent overgrowth of China's contractual power (China holds huge amounts of capital and bonds in dollars) in setting the value of US currency and, with it, the prospects for growth of American economy. Against this background, in the absence of adequate continental policies, the European countries are destined to endure more and more competition from Asian and overseas production. One only needs to consider the fact that already today the agreements that the European countries, in open order, are trying to prise out in terms of greater sales of goods from the old continent to China are obscured by the rate with which the European Union trade deficit with China is growing (around 15 million Euros an hour). Thus in a little more than two months Europeans will give China back the equivalent of what the latter is going to pay French industries over the next few years as a result of the agreements signed by President Sarkozy on his latest trip to Beijing.

There are calls from many quarters for an increased coordination of the policies of the Eurozone and even a way of governing the Euro. Is this likely to happen within the existing institutional framework of the European Union or within the one envisaged by the new Reform Treaty? The answer is no.

In order to be credible, these proposals should form part of the plan to re-launch the political unity of Europe, which cannot leave aside the creation of a European Federal State. And since it is unthinkable for this objective to be shared by the Twenty-seven, it is necessary for a smaller group of countries to take this responsibility.

It is therefore up to the founders, including France and Germany in particular, to step aside from the ambiguous national policies they are conducting and to propose a Federal Pact to set up a federal core. Only thus will Europeans be able to try to face the difficult international challenges ahead in terms of trade, economics and monetary issues.

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