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“THE FUTURE OF EUROPE: AN ITALIAN PERSPECTIVE”

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CHECK AGAINST DELIVERY

Mr President, Ladies and Gentlemen,

First of all I wish to thank the German Council on Foreign Relations for this opportunity to share with you a number of thoughts on the future of the European project, how it is seen in my country, Italy, and how it is being interpreted by the Democratic Party, the progressive political party I have the honour to lead. The Democratic Party, along with the centre-left coalition called “*Italia. Bene comune*” [“Italy. Common Good”] has chosen me as its candidate for prime minister in the upcoming general election; this follows party primaries in which over three million electors voted.

This visit of mine to Berlin precedes an important European Council meeting which aims, amongst other things, to reach a positive outcome for negotiations on the new multi-year budget; it falls three weeks before elections for the Italian Parliament and at the beginning of a year in which your country too will go to the polls.

October will see the end of an 18-month cycle during which the citizens of France, Italy and Germany (200 million people representing over 60% of the Eurozone's GDP) will have expressed themselves on the political future of their countries.

As you know, Italy has always been, from the very beginning, a strongly pro-European country, readier than many, especially in difficult times, to give up something itself in order to advance the common interest.

We have a deep and abiding memory of what the history of this continent was before construction of the new Europe began.

As our former President of the Republic Carlo Azeglio Ciampi said: *“There are 50 million reasons, that is the 50 million who died in the Second World War, for being in favour of further integration”*.

I think it is still right to start from that point, from the memory of how a continent, destroyed, hungry, afraid, managed in just three generations to become an area of the world that has cancelled from its political culture the temptation that war can be an instrument to affirm one's power and to resolve conflicts, an area that is the richest on earth and at the same time the least unequal, an area where our children can grow without the former “European” fears, travelling from one capital to another to study, visit museums and make friends.

European integration has been the greatest success story in many centuries in the peaceful formation of shared sovereignty, in the transformation of the causes of potential conflict into common growth factors, the concrete model that has come closest to Kant's ideal of an international community.

If it were not so, it would be hard to understand why this is the only organisation that in the last 30 years has tripled the number of its Member States, that has more countries knocking at the door asking to be admitted, that continues without rest to update its rules.

I believe that for my country, for Italy, our overriding national interest still coincides with continued integration. Europe has enlarged our markets, has changed the culture of the new generations, has often been the “external constraint” - freely self-imposed, to be sure – that has obliged us to adopt necessary reforms.

For this reason, we are still working to achieve the most Europe possible, not just to live with the indispensable minimum.

We reach the same conclusion, too, if we look realistically at the world around us. We don't need convoluted arguments in order to understand that as a global player, the European Union – let us never forget that it is only 7% of the global demographic – carries more weight than our individual national ambitions. Furthermore, whether from China or the United States, for both systemic reasons and for a more correct distribution of responsibilities, everyone asks for “more Europe”, a request we ourselves are often not equipped to fulfil.

The time is at an end when the great global players preferred to deal individually with each European country. So no-one today wishes that for reasons of general balance the area of peace built up around us, Europe's economic and industrial platform and the vast internal market, should be weakened or disbanded.

Nevertheless, just as realistically, we cannot hide from the fact that in the last two years Europe has been facing an existential challenge, that Europe has stuttered in addressing the crisis, that the crisis in the European economy has risked crueing American efforts to implement a growth strategy, that traditional pro-Europeanism is nowadays under siege from populist phenomena that bring into question the entire project, even, here and there, flaunting the ghosts of a past we don't want to relive: from the Hungary of Orban to Golden Dawn in Greece, to extreme right-wing racist groupings that from north to south are finding new adherents.

This is not the right forum for recounting how and why the crisis came upon us, how we could have acted more quickly and at lower cost, or to recall the delays in analysis and reaction.

My country too bears its responsibilities. It did not take advantage, as Germany did, of the enormous benefits accruing from the arrival of the Euro, it wasted important years not undertaking necessary reforms and thus found itself more vulnerable when the storm broke. You know the story well. And you are also well aware of who in those years was in charge of Italy's government.

It is not therefore superfluous to call to mind that after that phase, a long phase, of a populism that more than once played with the fire of anti-Europeanism, and that in part undermined the credibility of my country, we – my party – who had earlier worked with Romano Prodi at the time monetary union was achieved, were once again decisive players in the political truce of the last year and a half and in the tiring but indispensable recovery efforts.

The technocratic government of Mario Monti – an experience that is not new in Italy but that always requires the generosity of responsible political parties to step back temporarily – was desired by us, was loyally supported in Parliament despite the impatience of the right, was often improved in terms of the content of its actions in order to correspond better with a complex socio-economic reality, and was patiently explained to the public who were bearing the brunt of the measures, thus avoiding those social tensions that were in evidence elsewhere.

In all this there was the generous commitment of my party which put Italy above its own political and electoral interests.

So we arrive at the eve of the elections, well aware of the work we have done and satisfied with the launch of the umpteenth national recovery for which Europe – let it be remembered – has not paid a single euro, but has instead seen Italy in the position of third-largest net contributor in dealing with the crises of others.

We have got this far, though, bearing a heavy burden.

Italy will reach budget balance this year in accordance with the commitments made unwittingly by the Hon. Berlusconi, almost a unique case in Europe. The country ended 2012 with a primary surplus of over 4% of GDP, one of the highest in the world, but is still grappling with debt that has risen to more than 120% of GDP, an economic contraction of around 2.5% and the loss of 700,000 jobs.

We still have a long road to travel. In 2013, too, a contraction of almost 1% is foreseen; this may turn into positive growth only from 2014.

These are numbers that speak for themselves and that already indicate the steps that must be taken.

We know we must guarantee our commitment to stability.

We know we must continue on the path of reform.

Italy needs profound changes, beginning with a new public morality.

It is our ambition to re-engage the young generations and all the more dynamic elements in our society, business, research, innovation, to get Italy moving again, to aim high for the future. Politics alone, as merely the technical art of governing, is insufficient to bring about, with consensus, profound changes in the social balance.

There needs to be courage in leadership, but also the capacity to listen to society and to be persuasive as to the positive goals of change.

We are aware that stability and rigour are necessary conditions at a time of economic crisis, when partners in a common enterprise like Europe have to be reassured as to the credibility and reliability of commitments made.

We also believe that completion of the single market can facilitate recovery and growth.

I remember that when I was Minister for Economic Development in the government of Romano Prodi during the period leading up to the Euro, the process resulted in a push for common structural policies in the fields of energy, research programs and innovation, and of environmental policies. The arrival of the new currency was not unrelated to the perception that at the same time we needed to make progress on structural issues.

So today, while the instruments of a common monetary and fiscal discipline are being perfected, there must be new impetus for completion of the single market.

Let us remember that before us lies also the challenge of the free trade agreements between the European Union and the United States, and between the European Union and Mercosur, a double appointment that is very significant for our economies.

Stability, rigour and completion of the single market are however not sufficient if we don't adopt a new strategy of investment and growth on a continental scale, if we don't free up national investment resources already agreed with Europe, if we don't allow the spending – as happens in Italy in the system of local government – of fresh and immediately available resources on account of the excessive restraints of the Stability Pact.

It is not just an Italian question, although recession in the second-largest manufacturing economy in the Union spreads its effects into all markets. Growth and employment are not a luxury to be put off till tomorrow.

We appreciated the contents of the report by the Four Presidents “Towards a Genuine Economic and Monetary Union” and we followed step by step the decisions taken during 2012. These were choices that were to have developed the project's four “building blocks”: banking union, fiscal union, economic union and the strengthening of the democratic legitimisation of decision processes in the Eurozone.

Important progress is evident on the question of banking union, but it is difficult to hide one's disappointment regarding the progressive reduction in the initial ambitions.

On the question of fiscal union and the control of national budgets, after the Fiscal Compact and the various “packs”, the political debate has died down on possible forms of joint guarantees for a part of debt (both eurobonds and the so-called “redemption fund”, thought up right here in Germany); and also the hypothesis of “fiscal capacity”, an autonomous budget limited to the Eurozone, stayed at an entirely preliminary stage. In the same way, a common strategy to encourage investment and jobs has not yet reached a sufficient degree of concreteness or size. With such a strategy in place, we are ready to work on further co-responsibility regarding national budgets.

Considerations on possible instruments for the convergence of economic policies and processes for democratic legitimisation in the Eurozone did not get even that far.

All this has surely been influenced by the uncertainty regarding elections in a number of large countries (a wait that's likely to go on throughout the year), and the fear of coming up with instruments and rules that may mean once again modifying the Treaties.

If then there remains a substantial doubt about this path, it has to do with the long time that it will take. The worst of the crisis is surely behind us but I am not certain that this lengthy calendar will protect us from future crises.

Talk about the political architecture of the European Union has never excited the general public. We are aware of that.

Paradoxically, the most integrated area, the Eurozone, bases its present governance on a set of inter-government instruments – the most important being the Euro-summit – while the less integrated area that surrounds it, that of the single market, still relies on instruments more of a community nature.

The emergence of the Euro area has given sustenance politically to a vicious circle between spreading populisms that do not recognise the choices made in Brussels as democratically legitimate and the growing recourse to technocratic governments and decisions, given the difficulty of addressing the needs imposed by the crisis using traditional democratic forms.

So today we think it is right to go beyond a merely inter-governmental model, since the absence of the prospect of a European-level democratic sovereignty generates entropy, dispersion, nationalist thinking; in short, the temptation to carry out the final assault on the citadel of the European dream.

And we Italian progressives, how do we intend to act in this situation?

As for the ideal on the horizon, we have indicated in all simplicity the goal of a United States of Europe. A position not to be taken for granted nowadays.

Behind a single currency there should be a single sovereign.

We do not imagine the super European State expediently “feared” in some countries and waved about by nationalist populisms. I think of a federal power that is democratically legitimised, having its own budget and resources, capable of carrying out specific functions, endowed with a Central Bank and a Treasury, competent with regard to indispensable issues on a global scale such as defence, foreign policy, migration, research, energy and infrastructure networks.

This long-term objective poses an unavoidable question and that is, what level of sovereignty nation States are willing to give up to attain this post-national sovereignty. Effective sovereignty, anchored to the true scale of today's problems. Because either sovereignty corresponds with the dimensions of today's problems or it can only be the illusion of sovereignty.

We shall have to find the right venue for responding to this problem. In the end, we'll need a new Convention to discuss about ourselves and to decide together about our future. I understand the concerns of those who fear the opening of a Pandora's box and who remember the institutional impasse of 10 years ago, but we cannot accept that only the Euro-sceptics should raise their voices and that the supporters of a federal and political Europe should remain silent. It is unthinkable that we should have before us only the choice between secretly moving ahead the European project in the name of emergency or publicly and clamorously retreating when, and if, challenged by a referendum.

This is a question of responsibility that in the end will be asked.

In the meantime, I would be in favour if, for example, the Italian and German parliaments were to set up a joint convention on the future of Europe, opening a political discussion. The predisposition of Italy and Germany toward a more genuine political union could be a good model for others.

The President of the Italian Republic, Giorgio Napolitano, has repeatedly invited us to invest more heavily in the construction of a European political sphere.

The European *demos* can only be forged in the heat of a democratic, continental, political battle. This is the path for overcoming the spiral of populism and technocracy.

The consolidation of a progressive pro-European field, in which we feel ourselves situated, is an integral part of the project for the construction of a political Europe. And it involves my own as well as the other European political families.

Under the current rules, meanwhile, we could make a number of important choices: identify before 2014 the candidates for the Presidency of the Commission, perhaps also for the position of High Representative of Foreign Policy, work towards having them directly elected and, in any case, launch the idea, permitted by Lisbon, of merging the functions of President of the Commission with those of President of the Council, thus arriving at a prototype “President of Europe”.

We, the countries of the Eurozone, have a duty to address these choices with greater courage and ask ourselves what steps we are willing to take in order to evolve towards a tighter political union.

It is the crisis itself that calls us to exercise courage. Either Europe manages to cast itself in public opinion as the key to solving such problems and as having credible future prospects, or the very idea of Europe will be called into question.

The Eurozone in particular will also have to reflect on the relationship with those countries which do not belong to it, especially with some of them. Clearly

I refer, and not only on account of the happenings of recent days, to David Cameron's United Kingdom.

For centuries Great Britain lived with the perfectly legitimate idea that it had to stop continental Europe from finding its own solid accord because that would bring into question its international role.

Such an ancient reflex not only will not disappear from one day to the next but it has emerged again today stronger than ever. London has kept out of the most significant initiatives of the last decade – the Euro, Schengen, the Social Charter, the Fiscal Compact – and today invites the Euro-group to go ahead with its integration, reserving its own decision until after a debate involving public opinion in the UK.

We have a different idea of what constitutes an “effective sovereignty” in today's world and we like the expression an English politician, Geoffrey Howe, used of Robinson Crusoe on his island: “sovereign of everything, master of nothing”.

As will be readily perceived, we are in favour of the Eurozone nucleus deciding without delay to move on to further integration. For example, on an issue like defence, which is a key element in a politically adult Europe, and a renewed transatlantic friendship, it is obvious that it will in any case be necessary to find an accommodation with the United Kingdom.

Mr President, Ladies and Gentlemen,

In these last two years, the European Union has suffered a crisis in its own principal raw material: solidarity.

The clearest confirmation of this comes from the difficult negotiations on the budget to be dealt with in the next few days. We have attempted to behave realistically but now realism has defeated common sense. The Union has for too

long put off a strategic decision on a budget truly based on its own resources, and so is stumbling into negotiations of an almost impossible nature.

The method of national contributions, where some national governments, inevitably followed by almost all the rest, interpreting the negotiation only in terms of costs/benefits, paid/received, lay claim to a reimbursement in the case of excessive imbalances, has rendered the exercise the equivalent of squaring the circle.

As things stand, Italy risks becoming in the future the largest net contributor in proportion to its income, with a deficit of over Euro 6 billion and with the paradox of having to reimburse countries that have – according to the Commission's own data – a higher standard of living.

That is an unsustainable position even for a convinced pro-European.

Lastly, Italy and Germany have always aimed for European integration and it is right that they should continue to follow this path, with a strong spirit of friendship and collaboration.

The Germany of today can bring to the Federal Political Union of tomorrow the strength of its economic success but also that of its social and institutional model. There are no models in alternative either to the social market economy, here agreed upon for decades by all the main political parties, or to an institutional life well organised on the principle of subsidiarity.

Yet our impression is that there is a reluctance to take on a role of political leadership.

For the Europe of tomorrow, instead, our hope is that Germany will be willing to take on that responsibility, going beyond the lodestar of its formidable relationship with France, and recognise that its economic success in the global marketplace would be greater and strategically more assured if our continent had

a fully realised and less skewed single market, if there were a more dynamic and propulsive European market.

Our country, and my party, confirm here too the consolidated tradition of friendship that makes Germany our number one partner in economic, cultural and political terms.

We are interested in driving the integration of our economies toward new goals, cooperation on innovation, investment and jobs.

Allow me here to make a personal observation. For many years I governed Emilia Romagna, of the Italian regions perhaps the one most integrated with Germany in industrial terms. As a result, I have the firm conviction that working even more closely together we can better ensure our future.

Mr President, Ladies and Gentlemen,

Tommaso Padoa Schioppa, one of our great Europeans with whom I shared the responsibilities of government, invited the young to take Europe as a point of reference, to overcome the “melancholy” of these times; he encouraged them to “look upward and within themselves”.

In this difficult moment, the progressive Italy of the Democratic Party is ready to start again from there.

Thank you for your attention.