



By: *The Editorial Board*

Federal Europe – an idea that is re-emerging



The European Union is encountering challenges that are testing its long-term sustainability.

The war in Ukraine, the growing dependence on the American security umbrella and the structural gap with the United States and China raise a question that has long been suppressed - whether the EU can survive as a loose union of sovereign states or whether a transition to a federal model is necessary.

Mario Draghi (former President of the European Central Bank and former Prime Minister of Italy) has given a very clear answer in his **report** on competitiveness to the European Commission.

According to his estimates, the European economy **needs** between 750 and 800 billion euros in additional annual investment to keep pace in the areas of energy, technology, and defence.

The current EU budget, which **amounts** to around 1.1 per cent of GDP, does not allow for such investments. Instruments such as the **NGEU** ("Next Generation EU") have shown that joint borrowing can work, but they remain temporary and limited.

Draghi therefore insists that the Union must behave institutionally like a state - with fiscal capacity and a single capital market.

Moving away from a purely intergovernmental logic

In the area of security, the European Commission **launched** the Readiness 2030 programme in March 2025, with a total budget of 800 billion euros.

An important innovation is a joint European credit line worth 150 billion euros to **modernise** the armed forces and improve interoperability. European manufacturers will receive at least two-thirds of the funds to establish a common industrial defence base.

This is an institutional change that has the characteristics of a federal model, as resources and planning are taken out of the national framework and transferred to a common level.

The political framework is also changing. German Chancellor Friedrich Merz has clearly **emphasised** the strengthening of Germany's contribution to European defence and Berlin's willingness to support larger investment funds at the Union level.

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France's President Emmanuel Macron continues to **promote** the idea of European sovereignty through defence and fiscal integration.

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The energy crisis of 2022 and 2023 has led to the joint procurement of gas. The pandemic has confirmed that joint procurement of vaccines is more effective than national strategies.

The war in Ukraine has imposed the need for joint programmes to provide military aid and strengthen industry.

Each crisis adds a new competence to the Union and thus new elements to the federal structure.

The most realistic path to deeper integration

The economic effects of possible federalisation would be numerous. An integrated capital market would allow financing European companies within the Union, instead of seeking capital on the American market.

Energy interconnectors and harmonised regulatory rules would reduce costs and increase the resilience of the system.

Fiscal capacity at the EU level would enable strategic investment in research and artificial intelligence on a scale that is currently out of reach for individual member states.

The security argument is equally strong. European countries **spent** more than 320 billion euros on defence in 2024, but only around 18 per cent of these funds were spent through joint projects.

The result is fragmentation, multiple duplications of capabilities, and limited interoperability.

The EU already functions practically as a "multi-speed" community

A federal framework would enable standardisation, cost reductions, and greater operational efficiency. In addition, industry programmes such as Readiness 2030 aim to strengthen the European base, thereby reducing dependence on American suppliers and increasing strategic autonomy.

However, an institutional question remains. Changing the agreement requires unanimity and referendums in most countries.

The experience of the failure of the EU constitution in 2005 shows that the political risk is high.

The most realistic path to deeper integration is not the establishment of a federation in one step, but the gradual transfer of competences through so-called enhanced cooperation.

This means that a smaller group of countries - primarily the members of the eurozone and those willing to go further - can jointly introduce federal functions, while others can join later.

Such examples already exist. The euro as a

common currency, the Schengen Zone without internal borders and PESCO in the area of defence.

The EU therefore already functions practically as a "multi-speed" community, in which the core moves forward, and the rest join when they are politically and economically ready.

The historical context of federalism in Europe

It is worth remembering that the federalist idea is not a product of modern crises.

As early as the 1920s, the French foreign minister Aristide Briand **proposed** the establishment of a "federal union" between European states and declared that this was the only way to avoid new wars.



Today's leaders - from Draghi to Macron - do not see federalism as an idealistic horizon but as a pragmatic response to the crises that are shaking the continent

Although the League of Nations at the time did not accept his plan, it remained a point of reference for later generations.

During the Second World War, the Italian dissident Altiero Spinelli **wrote** the famous Ventotene Manifesto (1941), in which he argued in favour of the federation of Europe as a guarantee of peace and democratic development.

After the war, Spinelli became one of the most influential political actors in European integration and the founder of the movement

for a federal Europe.

Similar ideas were **developed** by Richard von Coudenhove-Kalergi, the founder of the Pan-European movement, who was already in favour of a "United States of Europe" in the interwar period.

Although his proposals were considered visionary (and utopian) at the time, they later found their way into European political practice.

These historical endeavours show that federalism is not a novelty but a constant in European political thought.

The difference between the past and the present is that today's leaders - from Draghi to Macron - do not see federalism as an idealistic horizon but as a pragmatic response to the crises that are shaking the continent.

Prospects until 2035

If integration is deepened, by 2030, the EU will have a financial and defence capacity comparable to that of today's middle powers (e.g., Japan, Canada, and South Korea), although its total resources are far greater.

What is important in this comparison is not the size, but the degree of institutional coherence.

Europe cannot afford to remain indecisive at a time when the US is redefining its role

By 2035, it could grow into a functioning federation with clear prerogatives in the areas of economics, defence, energy, and foreign policy, even without a formal constitution.

If the process is halted, the consequences would be the opposite - a deepening of differences between countries, a strengthening of centrifugal forces and the risk of the EU becoming irrelevant in global

relations.

Europe cannot afford to remain indecisive at a time when the US is redefining its role and China and India are increasing their global influence.

Federalism is no longer measured as an ideological ideal but as an instrument of survival.