ONE SIZE DOES NOT FIT ALL: EUROPEAN INTEGRATION BY DIFFERENTIATION

A BARE-BONES PLUS CLUBS EUROPE

Source: Bruegel

THE ISSUE

Reforming the governance of the European Union has become urgent for three reasons: to better deal with politically-sensitive topics, to manage greater external challenges and because future EU enlargement will increase the diversity of the bloc's membership.   e answer to disagreement typically has been quali ed majority voting, but on sensitive topics, the EU has increasingly moved to unanimity and heavy European Council involvement, which has often not delivered results.   e alternative answer has been a Europe of multiple speeds of integration with one shared goal for all, increasing political tensions. A di erent approach is now needed to move Europe forward.

POLICY CHALLENGE

Two options would be a Europe of concentric circles and a Europe of 'clubs', but the former would cement tensions between the inner and the outer circles, while the latter would lead to unclear structures and an end to cohesion. However, a governance model could combine the two approaches.   e model would be based on a strong 'bare-bones

1 INTRODUCTION

The strong global anchor of which the European Union has been part since its inception – rules-based multilateralism – is unravelling. A multipolar regime is emerging faster than anybody anticipated. Will it be an international order? Will it have rules, and if so who will write them? Because of its size, Europe is bound to be one of its poles, but will Europe be strong enough to shape its own future or will its future be determined by others? In other words, will the EU be a sovereign player commensurate with its size? These are questions Europe must urgently answer.

As if these global questions were not hard enough, they arise at a time when the EU is having doubts about its own future. This is not just because of Brexit. Strong political forces in other member states, including the six original members, are questioning the direction, even the principle of European integration. Some basic tenets of EU treaties no longer command consensus. Internal unravelling has become a real threat.

At one level this coexistence of external and internal questioning is paradoxical, because a strong, united European stance is even more required in a world in which global rules and institutions threaten to fall apart. But at another level, it is logical: sovereignty starts at home, and the same isolationist forces that undermine the global multilateral order undermine the European multilateral order. This is the tension the EU must solve. If it fails, it could lose its raison d'être. If it succeeds, it could find a new purpose.

2.1 MULTI-SPEED INTEGRATION

First, it has been to stay the course but buy time: to continue to call for an ever closer and ever wider union, in which all members eventually transfer sovereignty to a federal level, while envisaging long transition periods with the possibility for member states and applicants to proceed at di erent speeds, depending on their preferences and readiness.

The strategy followed for currency unification epitomises this multi-speed approach – while also illustrating that it has reached its limits. Twenty years after it was launched in 1999, two of the then-15 EU members are still not part of the euro (excluding the UK). Clearly, this reflects some loosening of the indivisibility principle on the part of the EU. Although all member countries were nominally committed to joining the euro, some (Denmark and the UK) benefitted from a formal derogation. And as membership was based on objective criteria some (Sweden) were able to abstain from participating in the common currency by not fulfilling one requirement. Some members have also obtained opt-outs from justice cooperation and other areas.

Such management by exception is not sufficient anymore, because the European Union has become much more diverse than it was in 1999. Enlargement has contributed to this evolution. Moreover, as security has become more relevant, rifts have emerged because member states do not necessarily have the same perceptions of threats, do not devote the same resources to defence and security, and do not view the use of military force the same way. Finally, migration from third countries and the different political approaches to address the asylum and refugee issue have further exposed the depth of differences.

Such diversity has contributed to a growing mistrust between member states and in the European institutions. This in turn has made the goal of an ever-closer, federal union look more distant than ever. The vision of the unitary structure of the EU in which all 27 members and half a dozen would-be members converge on the same goal is at odds with the large and increasing divergence of political pathways. The set of overlapping policy preferences has shrunk, followed inevitably by stasis and ineffectiveness.

2.2 MAJORITY RULE

This brings us to the second answer to the challenge of diversity. Historically, a way to deal with the stasis resulting from narrow overlapping policy preferences in the areas where the EU has been bestowed with policy competence has been voting by majority in the Council. This has been, for example, the basis for the common trade policy (a field in which diversity was strong) and for the spectacular success of the internal market. Those outvoted would accept the majority decision; but the winners also knew that they could be outvoted in a coming decision.

For decades, this approach has worked well for the mainly economic issues of market integration. There was a strong enough consensus on what the fundamental goal was for all to abide by the decisions taken. But we are now forced to deal with policy areas and priorities far removed from the mere economic sphere. Many of the present policy challenges are in areas that touch on questions of constitutional

the euro comes with the assumption of responsibility and shared sovereignty, including the possibility of being outvoted. The core of the EU institutional debate should reflect exactly this tension between adapting institutions to deal with heterogeneity and ensuring that member states live up to their obligations and accept the inevitable transfer of sovereignty.

3

4 A PROPOSAL FOR A HYBRID MODEL

We have considered two models: a Europe of concentric circles and a Europe of clubs.

In what follows we offer a hybrid template that combines elements of these two models in order to overcome their respective weaknesses. Note that we do not here discuss how to manage transition from the current system to a new one. Our aim in what follows is toETw t

the treaty governing the bare-bones EU. Each club would be supported by specific institutions – at minimum, a Council formation based on the membership of the club and some form of secretariat/executive. This secretariat would typically be provided by the Commission and would be complemented by specific institutions/agencies, as is the case for the euro club with the European Central Bank and the European Stability Mechanism (ESM). It could also be supplied by a Council-based body, especially in the case of defence for which participating countries would presumably want to avoid sharing control of decisions with non-participating countries. It would also be necessary, in certain areas, to assign responsibility for oversight and legislation to a sub-chamber of the European Parliament composed of the MEPs from the participating countries.

The unity of the overall architecture would be ensured by the breadth and strength of the legal and institutional basis provided by the bare-bones EU. It would be supported by a common court system that would uphold the consistency of legal decisions taken within the framework of the various clubs. The basis of the bare-bones EU and of the clubs therefore would be the applicability of a single legal system – which is indeed the core of the EU (Hallstein, 1969; Hallstein, 1973). And while there would be institutional continuity for the clubs in terms of the institutional base, they would have different decision-making processes, different executives and different lines of accountability.

In many respects, the club structure would resemble an advanced version of the EU's enhanced cooperation framework. It would differ, however, in terms of scale and in the fact that it would involve defining explicit and not necessarily identical institutional structures for each of the clubs.

The real value added of establishing clubs would be to allow member countries to opt out in cases of big issues for which they might prefer to apply their own policies. This would depressurise the system and allow smoother cooperation in areas where preferences align more closely.

4.3 A CONCRETE SCHEME
We propose an architecture combining the bare-bones EU and four clubs to deal with:

cooperation.

4.5 TRANSITING IN AND OUT

Managing this greater flexibility needs to come with clear answers to the following questions:

- **Who decides where each country belongs?** In a permanent regime, deciding which club they wish to belong to would first and foremost

Such a scheme would remove the all-or-nothing approach to European integration, which does not match all countries' wishes and on which progress has stopped. We believe that it would also be an effective way of reinforcing democracy. In the current system, the resistance of some member states often leads to an increased reliance on negotiations within the European Council and the increased predominance of the unanimity rule. Greater internal effectiveness would also make the bare-bones EU coupled with a Europe of clubs more effective externally, but only if its external representation is upgraded and adapted to the new structure.

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