



# Towards a More United and Effective Europe: A Framework for Analysis

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## 1. Introduction

The Eurozone crisis is dramatically shaping the construction of an EU polity as an integrated, legitimate and effective political space. The implications are two-fold. The crisis has accelerated policy- and institutional integration in ways thought unthinkable only a few years ago. At the same time, the economic crisis and the ensuing societal and political malaise have generated centrifugal forces across the Union, threatening the very essence of the European project. These two, seemingly contrasting, dynamics are taking place on different planes – top-down and bottom-up, respectively. Working in parallel, these two trends are giving rise to a dangerously vicious circle.

This paper sets out the conceptual framework of the research project “Imagining Europe”. As the unprecedented financial crisis and ensuing economic recession push Europe to the brink, a critical question arises as to what are the foreseeable trajectories affecting EU governance and policy in decades ahead. The crisis has already accelerated policy and institutional evolution in key areas, but the integration project remains torn apart by centrifugal forces. The challenge at hand is that of delineating (a) what kind of model of governance the EU could head towards, and (b) which of these models is fitter for the purpose of a more united, effective, governable and legitimate EU.

ABSTRACT

Euro scepticism in European public opinion is not new. Neither is it entirely caused by the EU’s top-down integration. But the style and content of the EU’s top-down decision-making have certainly added fuel to the fire, and have led to divisions between member

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states that shake the very foundations of the integration endeavour. Europeans are increasingly disenchanted with Europe and with one another. Their resistance to Europe in turn narrows the feasibility and the legitimacy of EU-level decisions taken to exit the crisis through deeper integration. As centrifugal bottom-up dynamics deepen, the sustainability of top-level centripetal integration is being compromised.

The challenge for committed Europeans is that of reconnecting these two levels through a virtuous circle. Such a dynamic can only start if one imagines a new Europe, one that reconciles Europeans with the integration project by re-endowing the Union with its lost legitimacy, in terms of its ability to deliver peace and prosperity to its citizens and to do so through an inclusive and accountable democratic process. It is our aim in this project to begin this exercise of imagination by exploring what kind of future the EU could create for itself were it to stand with its citizens and from there punch its full weight as a 21st century global power. It is our belief that Europe today needs a new narrative. At its outset, the European project was about cementing peace in the continent after the devastation brought about by two world wars and a genocide. With the end of the Cold War and the collapse of the Soviet Union, the challenge became reunifying Europe within a liberal world order. In a 21st century that is witnessing a profound shift in global power, a new EU narrative can converge on how to ensure European resilience in a multipolar world and encourage a peaceful transition towards a new consensual global order. To do so, the EU must be legitimate and effective within its borders, and from this position it must be able to project its full economic, strategic and normative weight in its neighbourhood and beyond.

Granted that a full recovery from the economic crisis is the necessary premise upon which any political and institutional way forward can be sought, this project attempts to delineate the types of governance models the EU could head towards, and evaluates these in terms of the *unity, effectiveness and governability of the EU*. In order to cater for these three goals, this project tackles three questions. First, what is the nature and degree of integration within the core of member states that opt to move up a gear (or two) in the transfer of their sovereign competences to the EU level? What does a more *united* Europe mean? Second, what is the desirable relationship between the core of member states that move towards deeper integration and those that remain outside? What relationship can be envisaged between core and non-core member states so as to ensure policy *effecti-*

ness? And finally, if the “cores” in different policy areas do not (perfectly) overlap, what institutional mechanisms can guarantee that a united and effective EU is also *governable*?

## 2. The Vicious Cycle: Centripetal and Centrifugal Forces in Europe

The European Union is undergoing a double transformation. Top-down, centripetal forces are at play, with the EU transforming in ways thought unthinkable only a few years ago. The Fiscal Compact, the Six Pack, the Two Pack, and plans for a banking and fiscal union are moving the Eurozone towards greater integration. Within this core, national parliamentary sovereignty over budget making is being eroded by supranational rules and the enhanced oversight role of European institutions designed to curtail deficit spending and restore economic stability. And there is a growing awareness that this cannot but be the first step towards deeper integration. Not all EU member states are on the same page. In Britain, plans to scale down commitments to the EU or exit the Union altogether have come to dominate public debate, with the looming prospect of a UK referendum on EU membership after the 2015 British elections. But Britain may well be in a class of its own: the exception and by no means the rule. More relevant, instead, are the deep divisions within the Union regarding what deeper integration actually means and how far it should go. Alongside the age-old intergovernmental-versus-federal, new fault-lines are developing regarding the sequencing and nature of integration. Some member states are pushing for an urgent cessation of member state competences first, followed by institutional arrangements to cater for more democratic accountability at EU level. Others insist that a “political union” should precede the loss of national sovereignty. Different interpretations notwithstanding, the Eurozone and most of the member states that have signed the Fiscal Compact have embraced a horizon of deeper integration, albeit to varying degrees and not without doubts and reservations.

Bottom-up, the Eurozone crisis is spurring centrifugal forces, which concomitantly see a progressive distancing of European citizens from the EU and a dangerous societal and political divide cementing between member states. Populism and Euroscepticism are not new in Europe. They acquired a higher profile, however, with the turn of the century through a potent mix of anti-immigration sentiment, post-9/11 Islamophobia and EU enlarge-

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ment fatigue. Furthermore, the Eurozone crisis has magnified and provided a new twist to this phenomenon, making populist Euroscepticism (or more accurately Europhobia) a mass phenomenon in a number of EU member states. Across the European Union, and most notably in those member states most seriously afflicted by the crisis, a broad strand of Eurosceptic populism is taking root. These anti-systemic movements do not simply position themselves “against the elites” and “with the people”, but do so by challenging the very foundations of the political system, including the basic principles of representative democracy. While the prospect of redistributive fiscal federalism at the European level remains vague and uncertain, European citizens increasingly feel the repercussions of crumbling welfare systems, soaring unemployment and anemic or negative growth, for which they blame the partial loss of economic sovereignty coupled with severe austerity measures. Mainstream centre-right and centre-left parties have already paid high political costs as they have been seriously challenged by populist alternatives on both ends of the political spectrum.

The pattern is similar across Europe, particularly in southern member states. In Greece, the 2012 elections led to the near sweeping away of traditional parties by anti-systemic alternatives such as Syriza and Golden Dawn. In Italy’s 2013 elections, the formidable rise of the 5 Star Movement split the country into three political blocs and rang the death knell of the so-called “second republic”. In Spain there has been a classic swing of the political pendulum, with the socialists paying the price of the crisis and handing over power to the Popular Party in 2011. Whilst Spain’s recovery has yet to see the light of day, the centre-right has lost support, and the socialists are showing no signs of recovery. In fact, polls show that if elections were held today, less than 50% of Spaniards would cast their vote for one of the two traditional centre-ground parties. This could open a political vacuum that may readily be filled by smaller parties, radical protest movements and citizen platforms. Populism and Euroscepticism are not confined to southern Europe of course. The rise (and subsequent fall) of the populist *Piratenpartei* in Germany, and of today’s Eurosceptic *Alternative für Deutschland*, are cases in point.

Such movements are not always and necessarily anti-European. However, in view of the EU’s manifest failure, to date, to provide effective responses to the crisis and to do so in a manner deemed politically inclusive and accountable, they have questioned the legitimacy of the EU project and have acquired a distinct Eurosceptic spin. The rise of Europhobic

anti-establishment movements reflects citizens' growing distrust of the EU. The discontent with the EU is most noticeable in weak Eurozone economies, in which the transfer of sovereignty out of the hands of national politicians has been starkest. Data from the 2012 Eurobarometer shows that 81% of Greeks, 72% of Spaniards and 53% of Italians do not trust the EU, while in 2007 those levels only reached 37%, 23% and 28% respectively.<sup>1</sup> A 2013 Pew Research poll shows that the favorability of the EU has fallen from an average of 60% in 2012 to 45% in 2013.<sup>2</sup> In response, and as a means of acquiring standing amongst their publics, emerging political entrepreneurs as well as elements within traditional parties increasingly rely on the politics of symbolism and populism. The European Union is an easy target in their call for action.

Centrifugal forces do not stop here. The crisis has also led to a new and mobile cleavage in the EU, most notably in the Eurozone, between creditor and debtor countries. This cleavage has revolved around debates on "austerity versus growth", terms that have become as technical as they are cultural and political. On both sides of the creditor-debtor cleavage, negative stereotypes of the "other" have proliferated, undermining the achievement of a shared project of mutual benefit. In identity terms, this stereotyped "North-South" cleavage has overshadowed the "East-West" one that had emerged after the Eastern enlargement. In this regard, the political challenge is no longer to unite "old" and "new" Europe, but to ensure a convergence between north and south so as to avoid enduring political backlash threatening the political survival of the European project as such. In debtor countries, a deficit of democracy due to the shift of decision-making power away from the national level and the effects of austerity policies have led to deepening disenchantment with the EU. In creditor countries, despite the greater leverage enjoyed at EU level, frustration with slack EU governance has been on the rise. Furthermore, this intra-European cleavage has also had dangerous repercussions on mutual intra-EU opinions. There is a growing perception in northern Europe of southern member states (and their citizens) as profligate and lazy, refusing to pay their own way out of the crisis. For their part, citizens from southern member states have come to view northern Europeans as selfish and inward looking, having abandoned European solidarity. Failure to tear down this

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<sup>1</sup> European Commission, *Standard Eurobarometer* 78 (Autumn 2012) and 67 (Spring 2007), available at [http://ec.europa.eu/public\\_opinion/archives/eb\\_arch\\_en.htm](http://ec.europa.eu/public_opinion/archives/eb_arch_en.htm).

<sup>2</sup> Pew Research Center Global Attitudes Project, *The New Sick Man of Europe: the European Union*, 13 May 2013, <http://www.pewglobal.org/2013/05/13/the-new-sick-man-of-europe-the-european-union>.

wall of misperceptions may endanger the integration process. The paradigm of “austerity versus growth” has become symptomatic of an alarming “othering” process that is driving a wedge in the heart of the European project, while also hampering convergence on joint solutions to the economic crisis.

### 3. Europe as a Puzzle: Unity, Effectiveness and Governability in Post-crisis Europe

The centrifugal and centripetal forces bedeviling crisis-Europe confront us with a puzzle. Restoring legitimacy in the European project calls for greater unity and thus deeper integration. Through such unity, the EU could reacquire legitimacy vis-à-vis its citizens by finding joint solutions to deliver peace and prosperity in a politically inclusive and accountable manner. However, a more united Europe could be presumed to be more effective in achieving its policy objectives only if all member states consensually moved towards deeper integration. Alas, this is not the case. Given the different inclinations of member states to accept deeper integration but also their different capacities to contribute to the effectiveness of EU policies, the simple equation “a more united EU equals a more effective EU” cannot be taken at face value.

#### A More United Europe: Integration of the Core to Restore the EU’s Output and Input Legitimacy

Conventional wisdom has it that exiting the crisis and setting the EU back on the path of recovery, returning to the EU its lost “output legitimacy”, would call for a jump from a European Monetary Union (EMU) to a “Genuine European Monetary Union” (GEMU). GEMU would correct the structural deficiencies inherent in the EMU, which brought the Eurozone to the brink of implosion. It would prevent member state fiscal imbalances and non-compliance with rules, break the vicious link between public debts and banking systems, clarify the role of the European Central Bank (ECB), and endow the Union with a veritable fiscal capacity. To this effect, some steps are being made. Rules to avoid fiscal imbalances are now in place with the Two-Pack, Six-Pack and Fiscal Compact. The first steps towards a banking union are in the offing through the Single Supervisory Mechanism. The role of the ECB is being bolstered through its Long Term Refinancing Operations (LTRO) followed



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by the Outright Monetary Transactions (OMT). Much remains to be done, however, from the completion of a banking union through a common banking resolution and deposit insurance, to the move towards a fiscal union via fiscal transfers and an eventual Eurozone fiscal capacity, as well as coordinated economic and possibly social policies. On the latter, for instance, with growing crisis-driven intra-EU labour mobility, several social questions – such as the portability of pensions – urgently require EU-level solutions. Deep disagreements exist among Eurozone members on both the content and the sequencing of these steps. Underpinning these disagreements is the clash of ideas between austerity and growth, *ordo-liberalism* and neo-Keynesianism.<sup>3</sup> Most importantly, perhaps, deep-seated mistrust underpins disagreements on the steps and sequencing of economic integration, the very same mistrust that explains why it took the United States 140 years to complete its own fiscal federalization. But ideological differences and trust aside, most agree, in (very) broad terms, that deeper monetary and fiscal integration is the only recipe to restore the EU's output legitimacy through the delivery of stability and prosperity to its citizens.

Output legitimacy, however, does not suffice. Equally important is “input legitimacy”, which amounts to an effort to complement a fiscal and monetary union with a “political union”. Here the debate is still in its infancy, beyond a handful of proposals, such as those concerning the European Parliament's role in electing the President of the European Commission and those imagining more organic institutional ties between member state parliaments and the European Parliament. There are wide divergences on the actual meaning of a political union, with French and Italian approaches emphasizing the need to strengthen the legitimacy of EU leaders and institutions through direct elections, and Germany preferring an enhanced role for parliaments at both national and EU levels. Either way, what clearly needs to be rectified is the EU's chronic “political deficit”. What is lacking in Europe is the perceived accountability of the EU in the eyes of its citizens: a sense of confidence that decisions taken at EU level are not merely the technical and apolitical expressions of an inaccessible puppet master, but rather a reflection of the democratically-expressed political will across the Union. To grant such confidence, Europeans would expect the content of EU policies to change according to the changing political configuration across the EU – for instance edging towards the right or the left of the political spectrum according to the changing political majorities across the EU. They would also expect to have the power to

<sup>3</sup> Vivien A. Schmidt, “The Eurozone Crisis: A Crisis of Economics or of Politics?”, presentation at the IAI seminar *Navigating Europe through Internal Crisis and Global Challenges*, Rome, 16 May 2013.

vote EU leaders in or out of office if their actions were or were not to meet their expectations.<sup>4</sup> Neither of these forms of accountability currently exists. The EU suffers from a deep political deficit in which citizens view the Union as a largely unaccountable entity whose actions are the product of an obscure internal logic rather than the emanation of the democratically expressed will of its citizens. Endowing the Union with such accountability is the ultimate goal and outcome of a political union.

## A More Effective Europe: Heterogeneity within the Core and the Core-noncore Relationship

While restoring output and input legitimacy to the European project calls for a more united Europe, this does not automatically mean that deeper integration entails more effective EU policies at home and abroad. A more united EU could be presumed to be more effective both in averting crisis and in pursuing its declared policy objectives provided that such a Union truly moved ahead monolithically as one. This is unlikely to be the case.

First, the core might end up being far more internally heterogeneous and fragmented than what effective and sustainable policies would demand. Sectors that at first glance appear to be tightly integrated remain highly fragmented on closer inspection. In the telecommunications area, for instance, the number of operators in the EU (2000), contrasts starkly with that in the United States (10). In the field of migration, the Arab uprisings coupled with the EU crisis-led intra-EU labour mobility risk triggering a reinstatement of intra-Schengen barriers to the movement of persons. In the security and defence domain, crisis-induced defence budget cuts, far from leading to intra-EU coordination are pushing member states to proceed unilaterally, which risks depriving the EU of specific capabilities if all member states were to autonomously cut the same capabilities. In areas such as defence or energy, internal fragmentation may instead result from the absence of a shared strategic vision or from the pursuit of mutually incompatible goals. In the case of energy, the declared objectives of security of supply, decarbonization and competitiveness are unlikely to all be met to the same degree. As member states attribute a different level of priority to each one of these objectives, the dynamics between them may drive the core towards greater internal divergence.

<sup>4</sup> Joseph H.H. Weiler, "Institutions and Democratic Governance", speech at the EUI conference *The State of the Union*, Florence, 9 May 2013, <http://stateoftheunion.eui.eu/video>.



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Second, not all member states may opt to take part in the core. Key questions on the horizon include: Poland's eventual entry into the Eurozone, following the examples of Slovenia, Slovakia and Estonia; or the critical question of British membership, namely whether the UK is heading towards a referendum and, if so, what could happen in the meantime to encourage the British public to remain anchored to Europe. The British question, while unlikely to set a precedent for other current members, may well impact upon the future dynamics of the EU's enlargement policy. Questions like whether the Western Balkans will proceed towards membership and, perhaps even more critically, whether Turkey's accession process will be revived or shelved altogether, will push the Union in different directions. The challenge lies in the divide between the centrifugal dynamics that push member states to keep clear of deeper integration, imperilling the potential effectiveness of EU policies, and the centripetal forces pressing for deeper integration in order to restore legitimacy to the European project.

When those member states that opt out of deeper integration – either as a sub-group of the core or outside the core altogether – are also the ones whose involvement would be a prerequisite for policy effectiveness in any given area, the aims of political unity and policy effectiveness may not neatly dovetail. Just to give a few – radical – examples, it is difficult to imagine: a united and effective Eurozone in which Germany were to opt out; a united and effective security and defence policy without the United Kingdom and France; or a united and effective migration policy without key transit and recipient countries like France, Italy or Spain.

Uncovering how a more united EU can also be more effective in delivering policy outputs at home and abroad thus calls for a comprehensive analysis both of the dynamics within the core and of the “core-noncore” relationship. We need to understand and resolve both the heterogeneity within the core and how the emerging core will relate to those member states that decide to stay outside it. For instance, how will the implementation of the Single Supervisory Mechanism (SSM) apply to Eurozone member state banks operating in non-Eurozone countries? What will be the implications for key financial hubs outside the Eurozone like the City of London? In the security and defence realm, if a sub-set of member states were to move towards deeper integration, what would be the relationship between this core and the broader Common Security and Defence Policy (CSDP)? And

what will be the implications for the CSDP-NATO relationship? These questions have potentially important implications for the role of the European Union in the neighbourhood and beyond. Take for instance the transport, infrastructure and communications domain. Here we could imagine that the possible core of deeper integration would involve not only all member states but also current – and possibly future – candidate countries. A more connected EU could be one that contributes not only to the EU's internal prosperity but also to its foreign policy projection in its neighbourhood.

Also linked to effectiveness is the question of critical mass or lowest common denominator of integration. What is the critical mass in terms of both functional integration and geographic membership that guarantees policy effectiveness within the core? How about in the noncore? And what about in the linkages between the two? In areas such as financial regulation, a critical mass in terms of membership would be critical for policy effectiveness. Highly relevant in this regard is the transport and infrastructure domain, where a distinction has been made between the essential network, to be completed by 2030 and partly financed at EU level, and the comprehensive network, whose time horizon stretches to 2050 and whose implementation and financing are largely left to the goodwill of member states.

## Squaring the Institutional Circle: A More Governable EU

Complicating matters still is the fact that addressing these questions across a variety of policy areas may lead to different interpretations of how the "core" is internally organized, who belongs to it and who does not, and what precisely is the relationship between various sub-groups. This brings us to another puzzle in need of solving: seeking a more united and effective EU in any given policy area does not automatically mean achieving a more united and effective EU as a whole. The latter goal could only be reconciled with the former through carefully crafted institutional mechanisms that would render the future EU united, effective, but also governable.

The key question is thus to delineate what model of governance the EU could head towards, and which among possible models would be most fit for the purpose of a more united, effective and governable Europe. Who constitutes the core in any given area and what does deeper integration mean within it? Does such a core include specific sub-

groups and how are these institutionally represented? What kind of relationship between the core and the noncore member states would ensure policy effectiveness? And finally, will the “cores” across policy areas overlap perfectly, and, if not, how will the EU deal institutionally with the resulting geographic fuzziness in order to assure a governable Union?

## 4. The Analytical Framework

Let us pause a moment to reflect on what we actually mean by a number of key terms in this project. Insofar as this project revolves around an analysis of the integration at the core of Europe and the relationship between core and noncore, a first question regards what precisely is meant by “core”. Broadly speaking, by core we mean a group of like-minded member states committed to deepening functional integration amongst themselves. By doing so, a core group has the political leverage and material (e.g. financial, natural) resources to pave the way for processes of Europeanization affecting other member states’ preferences or, in some cases, spilling over into other policy areas. The core does not assume any particular geographic configuration, nor will such a geographic configuration be precisely the same across different policy areas, nor is it necessarily constituted via Treaty-based enhanced cooperation. Finally, the core need not be a sub-set of member states and could comprise the entire EU in a given policy area. In the case of security and defence, if Denmark proceeds in opting into CSDP, the core would be the EU as such and the noncore would amount to the non-EU NATO members. In some policy areas, the core may even go beyond the current membership of EU-28. Indeed it is difficult to imagine how an essential transport network in the EU could exclude Switzerland or the Western Balkans. We do assume, however, that beyond the core there will be other countries (current members, candidates and neighbours) that will remain at a lower level of integration. In other words, a core exists to the extent that there is also a noncore group of member states.

The criteria for membership of the core regard both agency and structure. As far as agency is concerned, of prime importance is the political will of particular member states to move towards deeper integration, agreeing on the content and sequencing of the moves therein. In particular, members of the core must be able to muster the internal political will, enjoy external legitimacy (vis-à-vis other EU member states) and possess the material/

non-material resources to act as the engines of deeper integration. In the case of fiscal and monetary policy, the core clearly consists of members of the Eurozone and, eventually, “pre-in” member states who will comply with the rules of the Eurozone and choose to follow the steps towards a banking and fiscal union. Yet in other policy areas structural conditions, beyond the mere political will of member states to move forward, may be as, if not more, important in determining the membership of the core. A key area in this respect is energy policy, where energy economics and existing structural convergence and complementarities in member state energy networks, energy prices and energy mixes will prove pivotal in determining who will participate in the core and who will be left outside it.

Given the existence of core and noncore member states, a second concept requiring elaboration is that of differentiated integration. Differentiated integration is defined as a mode of integration that addresses the problem of heterogeneity in the EU.<sup>5</sup> In particular it assumes and accepts that not all member states will integrate in the same way and to the same degree, but rather that sub-sets of members may go further than others. Depending on the precise form of differentiated integration, different models of governance may emerge: different institutions and rules would be developed to govern European heterogeneity.<sup>6</sup>

Stubb identifies three main models of governance – multi-speed, variable geometry and à-la-carte – according to the three corresponding variables of time, space and matter.<sup>7</sup>

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<sup>5</sup> Alexander C.-G. Stubb, “A Categorization of Differentiated Integration”, in *Journal of Common Market Studies*, Vol. 34, No. 2 (June 1996), p. 283-295.

<sup>6</sup> Sandra Lavenex, “Concentric circles of flexible ‘European’ integration: A typology of EU external governance relations”, in *Comparative European Politics*, Vol. 9, No. 4-5 (September/December 2011), p. 372-393.

<sup>7</sup> Alexander C.-G. Stubb, “A Categorization of Differentiated Integration”, cit., p. 284.

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Table 1: Categorization of Differentiated Integration (adapted from Stubb)

	MULTI SPEED (TIME)	VARIABLE GEOMETRY (SPACE)	A LA CARTE (MATTER)
Definition	A core of MS are able and willing to go further, the underlying assumption being that others will follow	As differences within the integrative structure are unbridgeable, a permanent separations	MS pick and choose, as from a menu, which policy area they would participate in, while subscribing to a minimum set of common objectives
Related model of integration	Multiple speeds	Multiple levels	Multiple clusters
Examples	EMU and pre-in member states	Schengen agreements	United Kingdom with respect to EMU, Denmark with respect to defence

Adapting from Stubb and projecting the debate to post-crisis Europe, this project conceptualizes four ideal type governance models for the EU. Overall, these models differ from one another in terms of the structure of the core, the structure of the non-core and the relationship between the two. These models will be assessed according to their implications for EU performance in selected policy areas. Performance is assessed against the three criteria set out above: political unity, policy effectiveness and institutional governability.

Drawing from previous works by Tocci and Bechev<sup>8</sup> and Junge,<sup>9</sup> this project introduces four ideal types that describe non-uniform methods of European integration: *patchwork core*, *concentric circles*, *multiple clusters* and *hub-and-spoke*. The conceptual basis of these models is Stubb’s categorization of integration strategies according to the criteria of space and matter.<sup>10</sup> Unlike Stubb, however, we contend that time is a less relevant criterion for the future EU: the multi-speed framework no longer seems to reflect integration trends. While it is true that in the short-term multiple speeds will continue to characterize the Union, moving to a medium- and long-term perspective, with pre-in member states

<sup>8</sup> Nathalie Tocci and Dimitar Bechev, “Will Turkey Find its Place in Post-Crisis Europe?”, in *Global Turkey in Europe Policy Briefs*, No. 5 (December 2012), [http://www.iai.it/pdf/GTE/GTE\\_PB\\_05.pdf](http://www.iai.it/pdf/GTE/GTE_PB_05.pdf).

<sup>9</sup> Kerstin Junge, “Differentiated European Integration”, in Michelle Cini (ed.), *European Union Politics*, 2nd ed., Oxford and New York, Oxford University Press, 2007, p. 391-404.

<sup>10</sup> Cf. section 1.

eventually joining the “Eurozone”, the future EU will likely see a deeply integrated core(s) with noncore member states choosing to remain permanently outside. Accordingly, the present and future challenge for the EU is not the multi-speed one of allowing transition periods or derogations, but rather that of finding permanent institutional solutions to adapt to and govern heterogeneity. The forces driving integration are thus divided into centripetal (member states willing to move forward towards a more deeply integrated core) and centrifugal (member states more comfortable with lower levels of integration, opting out of deeper forms of integration). These two forces do not necessarily prefigure a federal core and an intergovernmental noncore. A centripetal behaviour may well coexist with a “Union of states” vision, whereby the Union would move forward through greater coordination and an intergovernmental logic, whereas within the noncore supranational elements, via the role of the Commission and the European Parliament, would persist.

The **concentric circles** model is conceived to address the challenges arising from variable geometry. This model implies the existence of differences among integrating units separating a hard core moving towards deeper integration and a less integrated outer circle. In such a model the core would essentially boil down to the Eurozone, which would integrate into a quasi-federal structure through a banking and fiscal union. A heightened degree of unity in economic governance within such a core would then spill over into other policy areas. According to neo-functionalism, in fact, sectoral integration is inherently expansive and leads to further integration in related functional areas through a bottom-up logic.<sup>11</sup> In this vein, some have discussed the prospects for the Eurozone to integrate in the defence realm too.<sup>12</sup> The core would thus, slowly but surely, transform into a so-called “federation-lite”, which would be accompanied by an enhanced meaning of EU citizenship.<sup>13</sup> Institutional solutions and political action would accompany the move towards deeper policy integration in order to ensure that citizens of the core reconnected with “Europe”. A political union would be part and parcel of this quasi-federal core, restoring public trust in, and the legitimacy of, the integration project.

<sup>11</sup> For a critical appraisal of neo-functionalism, cf. Jeppe Tranholm-Mikkelsen, “Neo-functionalism: Obstinate or Obsolete? A Reappraisal in the Light of the New Dynamism of the EC”, in *Millennium - Journal of International Studies*, Vol. 20, No. 1 (March 1991), p. 1-22.

<sup>12</sup> Giorgio Daviddi, “Verso un’eurozona della difesa. Sviluppo delle flessibilità istituzionali nelle politiche europee di sicurezza e difesa”, in *Quaderni IAI*, No. 6 (December 2012), <http://www.iai.it/content.asp?langid=1&contentid=817>.

<sup>13</sup> Cf. Emma Bonino and Marco De Andreis, “Making the case for a ‘federation lite’”, in *ECFR Commentaries*, 3 May 2012, [http://ecfr.eu/content/entry/commentary\\_making\\_the\\_case\\_for\\_a\\_federation\\_lite](http://ecfr.eu/content/entry/commentary_making_the_case_for_a_federation_lite).



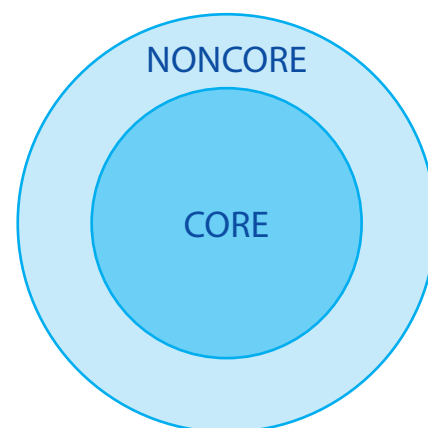
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Noncore member states would continue to be bound to the EU by the single market and the existing *acquis communautaire*. Noncore member states would not be allowed to pick and choose which aspects of the *acquis* to comply with, but neither would they be called upon to follow the tighter federal rules of the core. They would be free to move into the core, provided they met the conditions, but could not cherry pick from the core and would have to choose to be either in or out of it. Noncore citizens would not need to be persuaded about the benefits of more Europe, because their member state would have chosen to do without it. The need to address the EU's political deficit would simply not be felt as starkly in this looser circle of EU members.

These two levels of EU membership would be reflected institutionally, with different sets of institutions for Eurozone and non-Eurozone members.<sup>14</sup> Institutional trends are already moving in this direction, with the EU-wide Ecofin Council coexisting with the Eurozone's Eurogroup. Through a new convention these trends could be crystallized and extended beyond the Council of Ministers, applying, *mutatis mutandis*, also to the European Parliament (and Commission?).

A concentric circle Europe would require careful institutional engineering. But such institutional solutions could conceivably result in a governable EU. The snag is twofold. First, there is the possibility that the classic spill over of integration from one policy area to another might not proceed smoothly. It is no foregone conclusion that a banking and fiscal union within the Eurozone would automatically mean that the Eurozone core would also integrate in other policy areas, from security and defence through to migration, energy, the environment and infrastructure. Second, and returning to our performance criteria, a single core with neatly delineated contours may not necessarily cater for an effective EU in policy terms. A Eurozone of defence, for instance, would essentially see the inclusion of only one member state with effective defence capabilities – France – and the exclusion of others – the United Kingdom but also Turkey or Norway – that could have much to offer in this respect. A Eurozone of

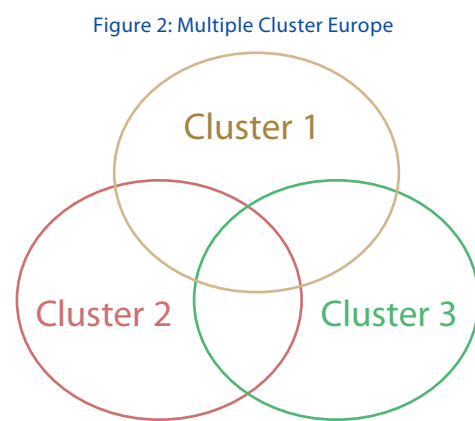
Figure 1: Concentric Circle Europe



<sup>14</sup> Kemal Derviş, "David Cameron's European Spaghetti Bowl", in *Project Syndicate*, 4 February 2013, <http://www.project-syndicate.org/commentary/institutional-alternatives-to-full-european-integration-by-kemal-dervi>.

defence would also stand at loggerheads with existing trends in intra-European defence cooperation, notably between the United Kingdom and France.

This brings us to a second ideal type model: a Europe of **multiple clusters**. A multiple cluster EU admits the emergence of different cores of integration, which result from member states' willingness to be more active and integrated in some policy areas than in others. This approach originates in the progressive institutional changes brought forth by the waves of Treaty reform; and, in particular, with the introduction of enhanced cooperation (Treaty of Nice), that allows a group of member states to cooperate more closely by developing partnerships that go beyond the minimum common denominator. The flexibility mechanisms introduced with enhanced cooperation are not bound conceptually to the existence of a single core. Accordingly, towards the end of the 1990s, the multiple clusters model started making headway in European debates, due to the growing awareness that the EU's variable geometry resembled more a set of Olympic rings than concentric circles. Therefore, this second model of governance depicts an EU marked by multiple, at times overlapping, clusters (e.g. the Eurozone, the Schengen area, and eventually a foreign policy core). Member states would be free to select which cores they would participate in and in which policy areas they would commit only to a lower level of integration.



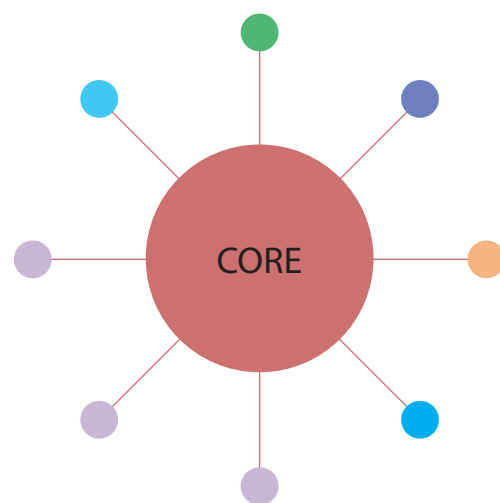
This model sounds attractive as regards our two performance criteria of a united and effective Europe. However, unless the area of overlap of all cores is substantial – entailing only exceptional opt-outs or opt-ins – it is likely to perform poorly as far as our third performance criterion is concerned: that of a governable EU. Accommodating institutionally a two-tier EU would be challenging but probably feasible. Accommodating multiple and partially overlapping cores (and noncores) would probably defy the most ingenious institutional architect. And even assuming such an institutional formula could be found, it would probably be so complex that European citizens crying out for greater institutional simplicity, transparency and accountability would watch in dismay and disbelief. The end result could well be so messy that the overall governability and legitimacy of the Union

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would be at stake. Hence, whereas the multiple clusters could cater for united cores and effective policies, they are unlikely to lead to a governable EU, nor a Union that can be readily understood and thus appreciated by its citizens. Whereas democratic institutional mechanisms could be imagined within each cluster, the EU as a whole would probably appear to be as complex (and despised) as ever in the eyes of its citizens.

The first two models are centripetal in nature: they assume that one or more cores would move towards deeper integration whereas noncore members would remain at the existing level of integration. A third governance model – a **hub-and-spoke EU** – is centrifugal in that it admits the possibility, not foreseen in other scenarios, of disintegration, with some member states opting out of specific policy areas. It also entails inbuilt incentives for hit-and-run approaches, entering a particular policy core up until when the member state in question is a net recipient and leaving it when it becomes a net contributor. The idea of a hub-and-spoke EU is not new. Its precedents lie in the UK, Danish and Swedish opt-outs from EMU or the Danish opt-out from defence. At the current juncture, the notion of a hub-and-spoke *à la carte* EU has taken a new – centrifugal – meaning in light of British Prime Minister David Cameron’s talk about a renegotiation of British membership of the EU, with the possibility of “repatriating” some competences back to London. In others words, the question is not simply one of opting out of deeper integration, but actually taking a step back towards looser integration. In this model, integration would thus move forward thanks to the persistence of an integrated core. This core would be united, governable and would succeed in re-legitimizing itself vis-à-vis its citizens. Core EU would then interface on a bilateral basis with a flexible set of associate members (the periphery, or noncore), with the latter singling out the policy areas they would be willing to buy into. Even more so than in the concentric circle model, the EU’s democratic legitimacy would be a non-issue for non-core citizens given that associate members would have “repatriated” all the competences they desire back to the national level.

Figure 3: Hub and Spoke Europe

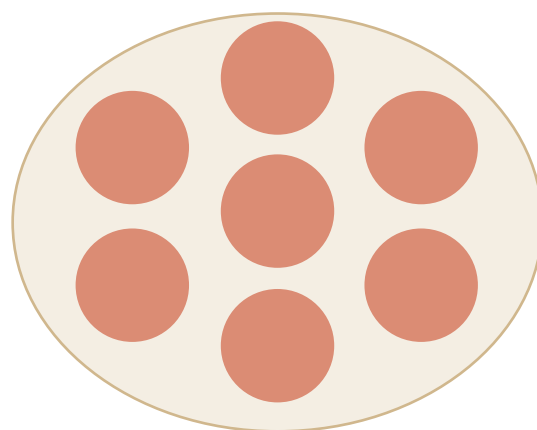


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The British question poses starkly the problem of how the Union can manage the risks of “divorce” while maximizing the opportunities for unity, effectiveness and governability. Given that in 2015 the United Kingdom might hold a referendum on EU membership, is there an alternative formula which could be elaborated compatibly with the goals of a more united, effective and governable EU, which would avoid a wholesale British exit from the Union? As noted above, the British case is unlikely to be emulated by other current members of the EU. However, dwelling on this question may offer interesting opportunities for the EU to seek new channels to exert influence over enlargement countries and countries within the remit of the European Neighbourhood Policy. Indeed the real danger – not unknown to the EU – is that of a Union mired in its internal wrangling for the best part of the next decade, oblivious to its steadily waning influence beyond its borders. The risk is that by the time the EU will have lifted its gaze from its internal crisis, it will have missed the chance to become a true 21st century power in the world. Seen in this light, the British question and the hub-and-spoke model it evokes could be transformed from a spectre of disintegration into an opportunity to devise forms of membership and association that could allow the EU to anchor a wide set of members, candidates and neighbours in the broader European space. The (re)emerging proposals about “virtual membership”<sup>15</sup> with respect to Turkey and “associate membership”<sup>16</sup> with respect to the UK, Turkey and the Ukraine are a refreshing contribution to this debate.

A final model, which could be either centripetal or centrifugal in nature, is that of a **patchwork core**. In this scenario, the core would remain the EU as such, which already amounts to the single market. With the exception of the United Kingdom, which would leave the EU and possibly negotiate forms of association with the single mar-

Figure 4: Patchwork Core Europe



<sup>15</sup> Sinan Ülgen, “Avoiding a Divorce. A Virtual EU Membership for Turkey”, in *The Carnegie Papers*, December 2012, <http://carnegieendowment.org/2012/12/05/avoiding-divorce-virtual-eu-membership-for-turkey/eqcm>.

<sup>16</sup> Cf. Andrew Duff, *On Governing Europe*, London, Policy Network, September 2012, <http://www.policy-network.net/publications/4257/On-Governing-Europe>.

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ket, the Eurozone would gradually expand to include Lithuania today, Poland tomorrow and overtime the remaining non-Eurozone EU members. Likewise the Schengen area would gradually expand to include all member states (with the exception of the UK), and CSDP would do likewise with Denmark reconsidering its opt-out.

But within this all-encompassing core, both across different policy areas and within them, subgroups of member states would press for deeper cooperation and integration. In the case of energy, for example, one could imagine autonomous regional clusters of functional integration, whereby groups of member states would unite to find joint solutions to shared problems. In the area of defence, we could also foresee functional clusters uniting over specific questions related to strategy, operations, capabilities or industry. These subgroups could end up being leaders in driving integration in the EU: their actions could be centripetal in triggering convergence within the Union, or they could remain autonomous and self-contained and perhaps even be centrifugal in nature. Such cooperation could be limited by taking the form of diplomatic alliances to push integration in particular directions, or it could give rise to internal institutional heterogeneity.

Summarizing the argument so far, Table 2 below outlines the three ideal type governance models of the future EU.

Table 2: Models of Future EU Governance and Logics of Integration

MODEL	LOGIC OF INTEGRATION
Concentric Circles	Variable: geographic space
	Structure: single core
	Force: centripetal
Multiple Clusters	Variable: matter
	Structure: multiple cores
	Force: centripetal
Hub and Spoke	Variable: space and matter
	Structure: single core
	Force: centrifugal
Patchwork Core	Variable: space and matter
	Structure: single heterogeneous core
	Force: centrifugal or centripetal

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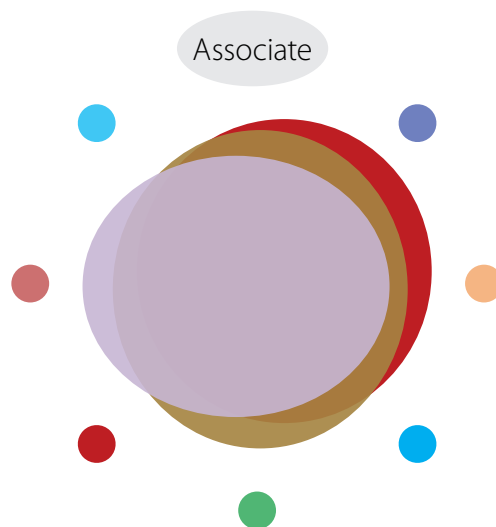
The four models of EU governance presented here represent ideal types derived from an observation of existing trends coupled with reflections on the three performance criteria guiding this project: the unity, effectiveness and governability of the EU. Throughout the empirical analysis, the models are also expected to unravel the puzzle of the EU's democratic accountability. Does a model's ability to deliver "outputs" suffice to make it closer to its citizens? Or is this no longer sufficient and new forms of input legitimacy are now indispensable?

As ideal types, we do not expect any one of these models either to perfectly apply to tomorrow's EU or to reflect what an ideal Union might look like. On the contrary, we expect to find elements in all four models being both applicable to emerging realities and desirable. The task at hand is thus that of imagining what mix between them might cater best for a more united, effective, governable, as well as legitimate EU.

Stemming from our baseline assumptions that a more united EU would improve the effectiveness of its policies provided the resulting institutional framework is governable, and that a more united, effective and governable EU would restore its input and output legitimacy, we proceed by positing three hypotheses to be validated in the ensuing empirical research:

- A concentric circle Europe or a multiple cluster EU with a substantial area of overlapping cores is the starting point to ensuring a united, governable as well as legitimate EU, but alone it cannot cater for an effective EU in policy terms.
- Neither a patchwork core nor a multiple cluster EU is likely to be governable or legitimate in the eyes of its citizens, but an element of fuzziness in both geographic space and policy matter must be accommodated institutionally in order to cater for effective EU policies.
- A concentric circle EU with fuzzy edges (or a multiple cluster EU with a substantial area of overlapping cores) will not be able to accommodate all current and future members. Forms of virtual or associate membership will need to be devised in order for the EU to be effective and exert influence in the broader European space.

Figure 5: Working Hypothesis





These three hypotheses will be tested in five policy areas, selected on the basis of their contribution to a more united (and legitimate), effective and governable Union. The five policy areas are:

- fiscal and monetary policy;
- transport, communications and infrastructure;
- energy and environment;
- security and defence;
- migration and movement of people.

The project would then move from empirical policy studies to a synthesis elaborating what optimal internal organization of the core and institutionalized relationship with the noncore may lead to a more united, effective and governable EU as a whole. The five contributions may follow separate methodological approaches, provided that they meet four analytical targets: (1) assess the membership and degree of integration of the core; (2) assess the relationship between the core and noncore group of member states; (3) reflect upon which model of governance (or elements therein) the policy area could and should approximate; and (4) propose policy and institutional innovations to maximise the EU's performance in the given policy area, basing the assessment on the three criteria of political unity, policy effectiveness and institutional governability.

Once this analysis will be concluded at the sectoral level, we will proceed with a synthesis that will advance a proposal for the EU's future governance as a whole. Our aim in pursuing this exercise, as the EU moves towards elections of the European Parliament, followed by a renewal of the EU's institutional leadership and ultimately – and hopefully – a new convention, is to feed a much needed public debate to imagine what kind of Union can ensure European resilience in a 21st century multipolar world and contribute to a peaceful transition towards such new world order.

## Imagining Europe

As the unprecedented financial crisis and ensuing economic recession push Europe to the brink, a critical question arises as to what the foreseeable trajectories for EU governance are in the decades ahead. The crisis has already accelerated EU policy and institutional evolution in key policy areas, but the integration project remains torn apart by centrifugal political and economic forces. The “Imagining Europe” series aims at delineating what kind of governance models the EU could head towards, and which of these models is best suited for the purpose of a more united, effective and legitimate EU. In particular, the research sheds light on the degree and nature of integration at the “core” of Europe and the relationship of that core with those member states (current and future) which opt to remain outside it. It does so by exploring five policy areas: fiscal and monetary policy, infrastructure and communications, security and defence, migration and citizenship, and energy and environment.