



Imagining Post-Crisis Europe

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1. Introduction

Imagining Europe was launched in 2013 by a group of committed Europeans alarmed by the centrifugal forces gripping the European Union since the eruption of the Eurozone crisis. Polarization, fragmentation and asymmetry have marked European dynamics in different policy domains, between member states, and between leaders and citizens. Asymmetries in economic performance cast within an incomplete monetary union both caused and deepened as a result of the crisis. As a result, a deep social-cultural and political polarization has taken root within the Eurozone, notably between northern and southern countries whose elites and publics have indulged in dangerous reciprocal

Imagining Europe was launched in 2013 by a group of committed Europeans alarmed by the centrifugal forces gripping the European Union since the eruption of the Eurozone crisis. We took as a starting point Emma Bonino and Marco De Andreis' idea of a light federation as a promising route for the EU to exit the crisis as a united, effective and legitimate political entity. Yet we also felt that many of the public calls for "more Europe" were either too general or lost in translation into the technical lexicon of the Eurozone crisis and its responses. To move forward, we sought to imagine what a more federal EU could look like by delving into the details across various policy sectors.

ABSTRACT

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stereotyping. And even within the innermost core of the Union, Germany has emerged as the unrivaled *primus inter pares* generating a hitherto unknown asymmetry at the heart of the European construction. Integrative dynamics have been coupled with the risks of fragmentation, as reflected in the Dutch debate on subsidiarity, the Danish propensity for opt-outs, the French calls for re-nationalizing EU policies and, standing in a league of its own, the prospect of a British exit from the EU altogether. Perhaps most alarming, populist Euroscepticism, a longstanding presence on the European political scene, has become a pan-European mass phenomenon, altering beyond recognition the sociopolitical fabric of the European Parliament. Populist opposition to the EU comes in various forms, reflecting the national shades of the EU debate. Suffice it to say here that both its classic variant – the nationalist, sovereignist, right-wing, anti-immigrant Europhobia – and the newer, crisis-inspired and left-leaning Eurocriticism are edging towards majoritarian status even in traditionally Europhile member states such as France and Italy.

We are not alone in observing these trends with growing concern. Recent months have seen a flurry of political and, more often, civil society activities by committed Europeans who have imagined and advocated a new Europe capable of exiting the crisis as a more united, effective and legitimate political space. The manifestos of the German Glienicker group, the French Eiffel group and the foreign ministers engaged in the Future of Europe initiative stand out as three such efforts.¹ These as well as other initiatives propose a two-level concentric circle Europe. The future EU would thus be marked by a federal core consisting of a subset of member states, and a wider and looser outer circle of EU members united by the single market. The composition of the core differs from one proposal to another, with some opting for a relatively compact group of member states – essentially limited to the original six, plus Spain and possibly Poland² – while others extend the federal core to Eurozone and “pre-in” member states.³ All initiatives place prime emphasis on the

¹ Glienicker Group, *Towards a Euro Union*, 18 October 2013, <http://www.bruegel.org/about/person/view/373-the-glienicker-group>; Eiffel Group, *For a Euro Community*, 14 February 2014, <http://www.bruegel.org/about/person/view/389-the-eiffel-group>; Future of Europe Group, *Final Report of the Future of Europe Group*, 17 September 2012, http://www.auswaertiges-amt.de/EN/Europa/Aktuell/120918-Zukunfts-gruppe_Warschau_node.html.

² Roger Godino and Fabien Verdier “Heading towards a European Federation. Europe’s Last Chance”, in *Notre Europe-Jacques Delors Institute Policy Papers*, No. 105 (11 February 2014), <http://www.eng.notre-europe.eu/011-17715-Heading-towards-a-European-Federation.html>.

³ Future of Europe Group, *Final Report of the Future of Europe Group*, cit.

completion of a banking, economic and fiscal union. The Eiffel and Glienicker groups call for a Euro community fiscal capacity which, according to the latter, would amount to approximately 0.5 percent of the budgets of each participating member.⁴ Armed with a budget worthy of the name, the federal core would provide common unemployment insurance and automatic stabilizers to offset national economic cycles, and would pursue an integrated economic policy with measures explicitly aimed at encouraging labour mobility and a partial harmonization of labour markets and pension systems. As suggested by French President Hollande, the core would feature an economic government.⁵ The executive could include a Eurozone president who would either be directly elected or would be chosen by the heads of states of participating countries. The president would in turn appoint a government that would reflect the political majority across the core.⁶ The federal core would also feature a legislative branch, with some calling for a single⁷ and some for a two-chamber Europarlament.⁸

The underlying logic of these proposals is quintessentially functionalist. The core would stem from the economic realm, but it would pave the way for deeper integration in other key policy sectors. The Future of Europe group places considerable emphasis on the migration and defence domains, advocating a European border police and the extension of qualified majority voting to the Common Foreign and Security Policy (CFSP) aimed at a common defence policy and defence industry. The Eiffel group argues that the core would also be responsible for research, communications, transport and infrastructure. French President Hollande has advocated an energy community designed to coordinate member states' energy transition. In other words, while the core would emerge from the ashes of the Eurozone crisis and feature first and foremost a banking, fiscal, and political union, it would extend its integrationist reach to other policy sectors that traditionally fall

⁴ Glienicker Group, *Towards a Euro Union*, cit.; Eiffel Group, *For a Euro Community*, cit.

⁵ "Hollande calls for 'EU economic government'", in *France24*, 17 May 2013, <http://www.france24.com/en/20130516-hollande-europe-union-eurozone-government-economy-france>. Full text (in French) available in the French Presidency website: <http://www.elysee.fr/declarations/article/intervention-liminaire-du-president-de-la-republique-lors-de-la-conference-de-presse>.

⁶ Roger Godino and Fabien Verdier "Heading towards a European Federation...", cit.

⁷ Glienicker Group, *Towards a Euro Union*, cit.; Hans-Wolfgang Platzter, "Rolling Back or Expanding European Integration? Barriers and Paths to Deepening Democratic and Social Integration", in *Friedrich Ebert Stiftung International Policy Analyses*, February 2014, <http://library.fes.de/pdf-files/id/ipa/10527.pdf>.

⁸ Roger Godino and Fabien Verdier "Heading towards a European Federation...", cit.

within the remit of federal states.

For the sake of intellectual honesty, we acknowledge that our project was driven by similar assumptions and goals. We too believed that a federal core would provide the best answer to the economic crisis and help restore the political legitimacy of the integration project, while at the same time providing a working formula to embed, via the single market, current and future member states that would make up the EU's outer circle. A two-level Union could help provide an answer to the perennial deepening versus widening dilemma that has plagued European integration since its inception.

And yet at the outset of the project we were troubled by two sets of questions. The first regarded the geographic scope of the core. Presumably the core would consist of a select sub-set of member states. It is difficult to imagine that a group that approximates the current membership of the EU would succeed in making the *saut qualitatif* that the EU as a whole has failed to make for decades. And yet, as stated by all the initiatives reviewed above, such a core would be open to all members willing and able to join it. But how could openness be reconciled with selectivity? And how could the core comprise all those member states whose input would be necessary – or at least highly desirable – in the policy competences assigned to the federal centre while at the same time remaining fairly small? What, in other words, if the core were to enlarge to a large sub-set involving virtually all member states aside from a few “usual suspects”? And what, instead, if it were to exclude members that were crucial to delivering policy effectiveness in any of the specific areas designated for the core? What would be the logic of creating two layers of institutions if the core were to largely coincide with the rest of the EU over the course of the next decade or so? Would EU citizens not end up feeling even more alienated from what may look like an even more baroque European project?

The second and related question regarded the thematic scope of the core. As mentioned, all initiatives reviewed above ascribed to the core most policy competences that fall within the classic remit of federal states. Their assumption is that deeper integration would move from one policy domain – the fiscal and monetary – to others. Policy and institutional dynamics within the Eurozone have indeed dominated EU politics since the eruption of the crisis. Yet, a Eurozone over-determinism for other policy sectors does not reflect reality, with actors and issues within different policy sectors being governed by logics of their

own. Functionalist spillover in European integration has always been present but woefully incomplete. Why should it flow naturally now within the core, and what makes us think that deeper integration in all policy sectors would comprise the same neat set of member states? In light of these questions we set forth other possible models of governance for the future European Union, including a multiple clusters, a hub-and-spoke and a patchwork core European Union.⁹

It is with these assumptions and goals, but also with these underlying questions and doubts that we set off on this project. We thus gathered a group of experts across five policy areas – fiscal and monetary, security and defence, infrastructure, communications and transport, migration, mobility and asylum, energy and environment – asking them to address the same set of questions:

- the membership and degree of integration of the core;
- the relationship between the core and non-core group of member states;
- the model of governance the policy area approximates;
- policy and institutional innovations to maximize the EU's political unity, policy effectiveness and institutional governability.

In what follows, we review the results from this thematic enquiry, drawing out a synthesis for the future governance of a more united and effective EU as a whole.

2. The State of the Union

A glance over the five policy areas selected in this project reveals considerable divergence in the integration-fragmentation dynamics across the European Union. Unsurprisingly, the fiscal and monetary area stands out as the policy domain in which integration has been most visible. Integration within the Eurozone in particular has been driven by a strong economic rationale. The deep trade and financial integration between EU economies has amplified the spillover effects of national economic policies, calling for coordination in

⁹ Nathalie Tocci and Giovanni Faleg, "Towards a More United and Effective Europe: A Framework for Analysis", in *Imagining Europe*, No. 1 (October 2013), <http://www.iai.it/content.asp?langid=2&contentid=992>.

order to manage externalities with a view to increasing common welfare. These spillover effects have been particularly acute within the Eurozone. The Greek crisis demonstrated how one country's bad fiscal policies can have immediate and significant repercussions on other Eurozone countries and on the entire structure of the Euro. Steps towards fiscal consolidation have been significant, with a succession of packs and pacts reviewed in detail by Emerson and Giovannini.¹⁰ The banking union is following suit, with a single supervisory mechanism and a single resolution mechanism now on their way. A fiscal union, and notably an EU fiscal capacity capable of providing automatic stabilizers have, alas, not made it onto the official policy agenda yet, but are very much part of public debate. As is well known, fiscal and monetary integration have tilted heavily towards intergovernmentalism, with the European Council playing an unprecedented role in EU policy-making. But EU institutions, most prominently the European Central Bank (ECB), have also seen a considerable aggrandizement of their role. To think that, beyond price stability, the ECB would have become responsible for a Security Markets Programme, Long-term Refinancing Operations, Outright Monetary Transactions, banking supervision and fiscal consolidation through the Troika would have been impossible a few years ago.

This is not to say that polarization and fragmentation are not present in this policy field. Talk about core and periphery is often applied to the Eurozone itself, with divergent economic performances lying at the heart of the economic crisis. Beyond the creditor-debtor divide, there is the divide between actual and potential bailout cases in the "periphery", and a divide between Germany and the rest within the "core". Perhaps most significantly, there is a growing rift between publics and EU leaders, with what is viewed as an opaque and unaccountable management of the crisis feeding public disaffection towards the integration project as a whole. In brief, a regime of *de facto* concentric circles that is strikingly lacking in democratic legitimacy is emerging, questioning the Eurozone's long-term sustainability. A more federal fiscal union would be the answer, if only political will and leadership were in place.

While the fiscal and monetary domain has seen considerable, though not undisputed, steps towards greater unity, the same cannot be said for other policy areas. Stagnation has

¹⁰ Michael Emerson and Alessandro Giovannini, "European Fiscal and Monetary Policy: A Chicken and Egg Dilemma", in *Imagining Europe*, No. 2 (December 2013), <http://www.iai.it/content.asp?langid=2&contentid=1026>.

characterized the security and defence, and transport, communications and infrastructure domains, while fragmentation and the risk of disintegration looms over the energy/environment and migration/mobility/asylum fields.

In security and defence, aside from the timid and largely declaratory steps made at the December 2013 European Council, Howorth notes the dramatic decline of the Common Security and Defence Policy (CSDP).¹¹ CSDP missions have always been small, marginally effective and strategically irrelevant, concentrated geographically in the neighbourhood and Africa. But in the first decade of the 2000s at least they took place. The same cannot be said in recent years. Whereas the 2003-2008 period saw no less than 26 missions, between 2008 and 2014, there have been only five. Furthermore, whereas in the first years civilian and military missions alternated, as years went by the latter became few and far between. The core function of CSDP has boiled down to relatively small civilian crisis management operations in the extended neighbourhood. After fifteen years of EU security and defence, the balance sheet is disappointing to say the least. But as aptly put by Howorth, the mother of all ills is not a technical design fault. In CSDP, the Council, the Political and Security Committee, the EU Military Committee, and the European Defence Agency, on the grounds of the competences with which they have been endowed, perform relatively well. Nor is public opinion an obstacle. Despite the waning popularity of the EU, foreign policy stands out as the area in which Europeans have consistently advocated more, not less, Europe. Rather, the problem is political. This policy area is still marked by a gaping lack of leadership and common strategic vision. Member states, with their different policy positions, priorities and strategic cultures, dominate, with no issue even making it on the agenda if met by strong resistance by a single state. Furthermore, for any action to be taken, strong support by the big three – France, Germany and the UK – is of the essence. Although the security challenges we collectively face would warrant intensive integration through CSDP within a broader NATO context, deep intra-EU divergences on foreign policy and the EU's role in the world epitomize the entrenched disunity of this policy field.

Stagnation has also marked the transport, communications and infrastructure domain. Transport and communications policy along – and intertwined – with infrastructure,

¹¹ Jolyon Howorth, "European Security Post-Libya and Post-Ukraine: In Search of Core Leadership", in *Imagining Europe*, No. 8 (May 2014), <http://www.iai.it/content.asp?langid=2&contentid=1124>.

notably the Trans-European Networks (TEN), literally represent the backbone of the single market. The pending incompleteness of the single market is largely due to multiple failures in this policy domain: to fully liberalize, to create an effective framework for competition and ideally a common framework for regulation, and to provide missing links. In particular, the EU still lacks a fully interoperable and resource efficient network of interconnected cross-border transport infrastructure. Missing links, bottlenecks and market barriers, particularly in Central and Eastern Europe persist. While the Commission advanced proposals for a single European transport area in 2011, including a “comprehensive network” featuring the Trans-European Transport Network (TEN-T) and all existing and planned networks, along with a “core network” including its most strategic elements, advances remain limited. Missing links are also present in the area of communications, with major deficiencies present at the local rather than the backbone level. Here too, the Commission proposed a telecommunications single market in 2013 but a more radical change of gear is necessary to curb the current market fragmentation, with incentives and Public Private Partnerships (PPP) for broadband rollout, spectrum policy, net neutrality and competition policy for the high-tech market.¹² A major problem regarding both transport and communications infrastructure is financing. With EU level funding being almost symbolic – for instance, the Connecting Europe Facility set aside approximately €32 billion for transport while the completion of TEN-T alone requires €500bn by 2020 – and ordo-liberalism remaining the prevailing economic dogma across the EU, translating plans from paper will likely require far more than the pilot project bond initiative set forth by the EU and the European Investment Bank in 2012.

Fragmentation is the name of the game in energy and climate policies. In 2009, the Climate and Energy Package,¹³ the entry into force of the Lisbon Treaty and the Third Energy Package for an internal electricity and gas market held the promise to create a common energy market. The widespread belief was that the electricity and gas directives and the EU Emissions Trading System would lead to convergence in member states’ energy

¹² Andrea Renda, “The Digital Infrastructure as the Next ‘EU Grand Project’”, in *Imagining Europe*, No. 3 (January 2014), <http://www.iai.it/content.asp?langid=2&contentid=1042>.

¹³ The EU set for itself the following climate and energy targets for 2020, known as 20-20-20: a) a 20 percent reduction in EU greenhouse gas emissions from 1990 levels; b) raising the share of EU energy consumption produced from renewable resources to 20 percent; c) a 20 percent improvement in the EU’s energy efficiency.

policies. In fact there has been wide divergence between member states and lack of EU-wide energy coordination and cooperation in recent years, with Germany's decision to call off its nuclear energy plans being perhaps the most extreme case of non-coordination. Environmental policy fares no better. Intent on fulfilling the 20-20-20 targets, member states have proceeded haphazardly with autonomous and non-coordinated policies. The goal is a worthy one: the Commission estimates that €40 billion could be saved per year through integrated EU power markets enabled by cross-border infrastructure. But its accomplishment remains altogether elusive. In view of the strategic nature of energy, soliciting sovereignist national instincts, and the broad and complex nature of the policy field, featuring diverse sub-sectors (electricity, gas, oil, renewables) and activities (energy efficiency, regulation, investments, R&D), the potential for heterogeneity is immense.

Migration is the policy domain in which there has been the most vivid threat of disintegration. Until recently, remarkable steps forward had been made in the broad area of mobility, citizenship, migration and asylum. Intra-EU mobility has traditionally lain at the heart of the European project, with free movement for workers enshrined in the 1957 Treaty of Rome and extended in the Treaty of Maastricht (1993) to all EU citizens irrespective of whether they are economically active or not. Intra-EU mobility and migration are organically tied to the notion of EU citizenship, featuring, *inter alia*, political participation rights in local and EP elections, and social assistance for EU permanent residents.¹⁴ With the abolition of internal borders, compensatory measures for external borders were gradually introduced, beginning with the Schengen regime from 1995 onwards. Hence, although migration and asylum policies remained national prerogatives – despite their incorporation in the Treaty framework since 2009 – the security dimension of external migration became increasingly Europeanized.¹⁵ Hence, the common Schengen visa policy, the growing web of EU readmission agreements with third countries, and the establishment of a number of EU border control institutions and initiatives, amongst which the European Agency for the Management of Operational Cooperation at the External Borders (FRONTEX) in 2004, the Rapid Border Intervention Teams (RABIT) in 2007 and the European Border Surveillance

¹⁴ Theodora Kostakopoulou, "Mobility, Citizenship and Migration in a Post-Crisis Europe", in *Imagining Europe*, No. 9 (June 2014), forthcoming.

¹⁵ Anna Triandafyllidou and Angeliki Dimitriadi, "Governing Irregular Migration and Asylum at the Borders of Europe: Between Efficiency and Protection", in *Imagining Europe*, No. 6, <http://www.iai.it/content.asp?langid=2&contentid=1118>.

System (EUROSUR) established in 2013. The securitization of the EU's external borders became the flip side of extension of intra-EU freedoms.

In this context of gradual albeit limited integration, the double crises in the EU and in the Arab world have unsettled the two major assumptions underpinning this policy field: first that southern European states, having completed their migration transition into countries of immigration would successfully modernize (i.e. toughen) their border policies; and second that the relative stability of southern Mediterranean states would act as an effective buffer to stem migratory flows into the EU. The double crises in Europe and the Arab world dislodged both assumptions raising the spectre of disintegration of this policy area since 2011.¹⁶

The Eurozone crisis has led to an unprecedented questioning of EU mobility and citizenship rights. Despite strong evidence to the contrary, populist noises are recurrently being made about the welfare burden posed by mobile EU citizens migrating from the crisis stricken "south" to the more prosperous "north". In April 2013, a joint ministerial letter by Austria, UK, Germany and the Netherlands underlined the need to adopt restrictive and punitive measures to combat "welfare tourism". Driven by a similar logic, in 2014 Switzerland passed a referendum reintroducing immigration quotas for EU citizens.¹⁷ Far from fulfilling the promise set forth in Article 25 of the Treaty on the Functioning of the European Union to extend EU mobility and citizenship rights (for instance to third country permanent residents of EU member states) the economic crisis risks downgrading EU "citizens" into "migrants". What were originally conceived as separate policy fields – intra-EU mobility and migration – all of a sudden risk interlocking into a vicious circle that can undermine one of the basic pillars of the integration project.

The Arab uprisings and their uneven impact on EU member states have added to this, putting the spanner in the wheels of a common migration and asylum policy that

¹⁶ Giulia Henry and Ferruccio Pastore, "The Governance of Migration, Mobility and Asylum in the EU: A Contentious Laboratory", in *Imagining Europe*, No. 5, <http://www.iai.it/content.asp?langid=2&contentid=1112>.

¹⁷ Switzerland, while not an EU or EEA member state, enjoys similar rights and obligations than EU/EEA member states, being tied to the EU via over 120 sectoral bilateral treaties in the fields of the free movement of people, goods, services and capital.

features both security and protection. The migration and asylum challenges of the member states have often been different: northern Europe receiving a disproportionate share of asylum requests and southern Europe bearing the brunt of processing mixed flows – irregular migrants and asylum seekers – from the south. With the eruption of the Arab uprisings, the real (and perceived) challenges for southern Europe have been exacerbated. In light of EU inaction in response to Italian calls for “burden sharing”, in 2011 Italy granted temporary protection permits to Tunisians, which allowed them to travel to the Schengen area. Italy was aware that most wanted to reach France, where many Tunisians had friends and relatives. France retaliated by reintroducing border checks at the Italian border. The Italian-French spat prompted the EU Schengen governance package in 2011, which acknowledged that a large influx of third country nationals could justify the temporary reintroduction of intra-EU controls. Alongside this, the Commission introduced a safeguard clause permitting the temporary reintroduction of the visa requirement for citizens from third countries enjoying a Schengen visa exemption.¹⁸ Intra-EU solidarity amongst southern European countries has also fallen short. Having effectively curbed migration flows through the Canary islands, Spain has become reluctant to seek common cause with its southern European peers. In this respect, Italy’s search & rescue Mare Nostrum initiative aimed at proving Italy’s credibility to curb migration flows in order to solicit Brussels’ solidarity after the 2013 Lampedusa tragedy risks remaining a single member initiative, whose costs make it unsustainable in the long-term.¹⁹ In light of these divergent interests, when in 2013 the Dublin regulation was revised – known as Dublin III – burden sharing remained off the table. Exceptions were introduced to the “first safe country of arrival” clause when there is the risk that an asylum seeker is treated inhumanely in the first safe country. But far from resolving the underlying problem of deficient intra-EU solidarity, Dublin III risks merely reducing incentives for southern European countries – notably Italy and Greece – to upgrade their poor reception services. More broadly, even if most asylum seekers are stranded in Greece and Italy, they continue to be reluctant to file asylum requests there. Intra-EU divergent interests magnified by the growing instability on the EU’s southern shores thus lie at the heart of a deficient common asylum and migration policy, whose security dimension is only partially effective and its protection dimension woefully wanting.

¹⁸ The latter was a response to the perceived risk of a surge in asylum requests from Western Balkan countries that had recently been exempted from the Schengen visa requirement.

¹⁹ In October 2013 a boat went down off the Italian island of Lampedusa, killing 366 migrants on board.

3. The Myth of a Core Europe

Taking as a starting point this mixed picture across major policy areas, what could a more united and effective EU look like in the future? As mentioned at the outset, an exclusive focus on the fiscal and monetary field would suggest a possible concentric circle evolution of the European Union. The EU is already divided between a plenary of 28 member states and a Eurozone of 17, with the Treaty on Stability, Coordination and Governance foreseeing twice yearly Eurozone summits at heads of state level and the Eurogroup, the informal body of Eurozone finance ministers, having become a consolidated practice since 2005 and Treaty based reality in 2009.

Yet a closer look at the emerging economic governance of the Union suggests that even in this sector, which most lends itself to the notion of a two-tier EU, reality is far messier. Insofar as the in-built intention is that the Eurozone will eventually expand to all members of the Union, the governance mechanisms that have sprouted from the crisis do not reflect a neat subdivision between core and non-core states. A quick run through the various agreements that make up the budding panorama of the EU's fiscal consolidation efforts starkly reveals this messiness. The Stability and Growth Pact enshrined in EU Treaties, the European Semester on the *ex ante* coordination of national economic policies, and the Six Pack requiring members exceeding the 60 percent debt level to embark on a quantified path towards compliance and be subject to the Macroeconomic Imbalance Procedure applies to all member states. One step down in terms of inclusiveness is the Treaty on Stability, Coordination and Governance, which applies to all member states except the United Kingdom and the Czech Republic. Then comes the Euro Plus Pact aimed at improving competitiveness, employment and fiscal consolidation that applies to 23 member states: the 17 Eurozone members, Bulgaria, Denmark, Latvia, Lithuania, Poland and Romania. And finally, the Two Pack that strengthens the provisions of the European Semester, as well as financing mechanisms such as the European Stability Mechanism and the European Financial Stabilization Mechanism, which are applicable only to the 17 Eurozone members.²⁰

²⁰ By contrast balance of payments assistance is applicable only to non-Eurozone states.

The banking sector is no neater. The Single Supervisory Mechanism has been designed for the Eurozone but is potentially open to other member states as well. By contrast, the European Stability Mechanism that could be used to directly recapitalize banks once the SSM is operational is only applicable to the Eurozone. And the Single Resolution Mechanism, which determines the mix of measures needed to resolve banks in need is applicable to the Eurozone but potentially to other member states too. In short, the fiscal and monetary area, on which most proposals for a two-tier EU are based, is premised on an expectation of gradual expansion: a multi-speed rather than multi-tier EU remains an ingrained EU instinct. The result is the absence of a clear divide between two zones, but rather a mushrooming of initiatives and institutions with variable and fluid memberships. The basic reference point remains the EU as a whole.

Moving beyond the fiscal and monetary domain, the idea of a concentric circle EU becomes even more elusive. In none of the other policy areas is there an existing workable embryo of a core/non-core EU. In the security and defence field, all member states, with the exception of Denmark, are part of CSDP. And even Denmark has in practice contributed more than its fair share to CSDP missions, with its “opt-out” more a relic of national political circumstances at the time of CSDP’s inception than based on current practice. At a deeper level, the indivisibility of a security community such as the EU is such as to make talk of tiers odd at best.

Nevertheless, ideas for a core group have been floated in this policy area. But on close inspection they appear ill thought out. In July 2013, the French Senate proposed that the Eurogroup scale up integration in the security and defence realm. But would such a core be effective when the only member state in it with a defence capability worthy of the name is France? The “core” of an effective European defence has traditionally consisted of France and the UK, which together account for approximately 45 percent of European defence spending. Precisely this acknowledgement underpinned the 2010 Lancaster House Treaty on Defence and Security Cooperation between the two, aimed at pooling efforts on aircraft carriers, transport aircraft, nuclear submarines, military satellite technology, UAVs and expeditionary forces. While this inner core foresaw a wider orbit including Germany, Italy, Poland and Spain – that is the Weimar 5 plus the UK – its purpose is unclear. One could be collective defence. However, all these “core states” are members of NATO, whose “core mission” – collective defence – has been revamped in light of the

Ukrainian crisis. Another, more convincing, answer is common defence. However, the group of EU members that are most advanced in this regard – the Benelux countries – are not included in any of the above. A third answer is civilian crisis management, that is the unspoken “core mission” of CSDP. However, the most active members in this regard create a different grouping: Sweden, Finland, Belgium, Netherlands and Ireland. In short, thinking through a core/non-core way forward for European security and defence opens up more questions than it answers. A core group would not provide more effective European security and defence policy if its composition were to mirror that of the Eurozone, yet its purpose would not be clearer if a different core were envisaged either. Above all, a core/non-core divide would do little to overcome the mother of all ills in this policy area: the reluctance of all member states to pool sovereignty in light of their distinct interests, priorities and positions.

In the migration and mobility field, a core/non-core distinction of sorts exists. The EU, the European Economic Area and Switzerland constitute the outer circle bound by internal mobility rights. The Schengen regime instead constitutes the core migration group. Yet here too, the core/non-core division suffers from a number of fundamental flaws. First, if Schengen is the core, then it is not a small and select group of member states. The Schengen regime includes 22 of the 28 member states, plus several non-EU countries.²¹ Furthermore, of the six “non-core” EU members, only the UK and Ireland are permanent opt-outs, while Bulgaria, Croatia, Cyprus and Romania are eventually set to enter. Likewise, all member states have signed up to the Dublin Convention, with only Denmark, Ireland and the UK not being part of the Common European Asylum System.²² Second, the governance of the outer circle is far messier than first meets the eye. When the EU acknowledged the ineffectiveness of securing the Union *at* its borders, the governance of migration was actually externalized *beyond* EU borders, hence the host of neighbourhood initiatives in this regard, from readmission agreements and mobility partnerships, to border control support, joint surveillance and naval patrols beyond EU territorial waters. The responsibility for preventing migration into the EU was increasingly shifted to third countries of departure or transit. Third and as discussed above, the twin crises in the EU

²¹ The Schengen regime as well as the Dublin Convention apply also to Iceland, Liechtenstein, Norway and Switzerland.

²² While the UK and Ireland can opt into any single measure, Denmark has a complete constitutional opt out.

and the Arab world have highlighted the relevance of the grey areas spanning across mobility, citizenship, migration and asylum. With the Eurozone crisis highlighting the tight link between mobility and migration, and the Arab uprisings exacerbating the challenges posed by the mixed flow of economic migrants and asylum seekers, a geographic distinction in which one policy area – internal mobility – regards the outer circle, and the other policy areas – external migration and asylum – are allocated to the inner core plus several non-EU members contributes little to the goals of political unity and policy effectiveness.

Moving on to energy and infrastructure, the core/non-core categorization has no resonance at all. In the case of infrastructure, the Commission has made a distinction between the core and the comprehensive network.²³ But the two are not divided between member states, with some members being part of the core and others of the comprehensive group. Moreover, when physical transport, communications or energy networks are at stake, then geographic holes on the map are not an option. No wonder that Switzerland and the Western Balkans are included in the core network identified by the TEN-T corridors.²⁴

A final set of reasons militating against a core/non-core design of the future EU are the links between different policy areas, and in particular between the fiscal and monetary domain and other policy sectors. While these links have been raised to justify a spillover of the Eurozone's fiscal and monetary integration into other policy areas, precisely the same functionalist reasoning and the absence of a workable core/non-core divide in other policy areas would suggest that such a distinction may end up being inapplicable to the economic domain as well.

Suffice it to provide two examples that link the fiscal domain to the migration and infrastructure sectors. As described above, plans for a fiscal union are embryonic at best. Of the various ideas being floated, the most promising first step is the build-up of a respectable EU fiscal capacity whose prime functions would be stabilization²⁵ and

²³ Stefano Riela, "Transport, Communications and Infrastructure in a United and Effective Europe", in *Imagining Europe*, No. 4, <http://www.iai.it/content.asp?langid=2&contentid=1043>.

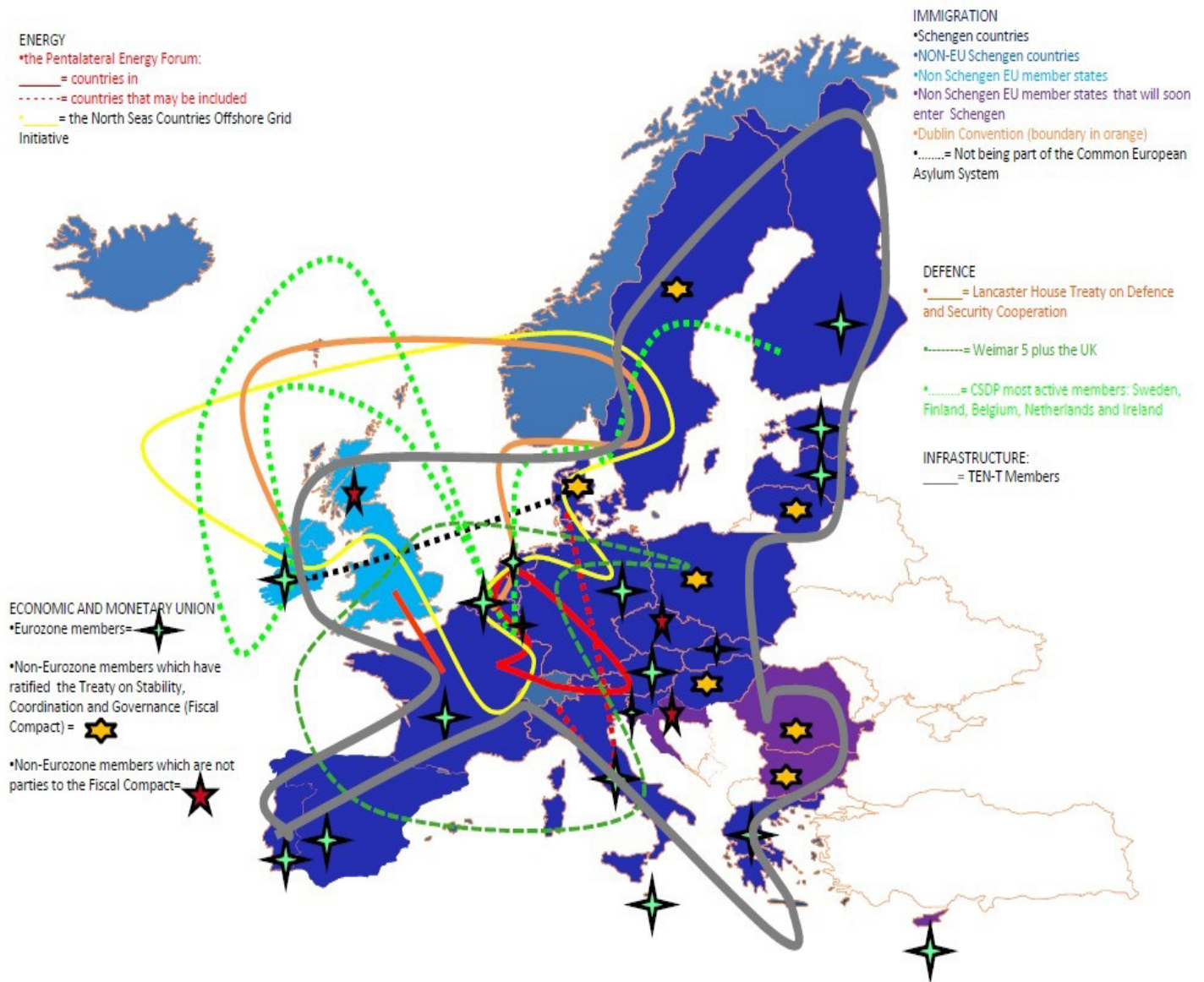
²⁴ Ibidem.

²⁵ Herman van Rompuy et al., *Towards a Genuine Economic and Monetary Union*, 5 December 2012, <http://>

investment. Stabilization is generally interpreted exclusively in economic terms: insurance schemes to offset member states' economic cycles. But there is no reason why such stabilization could not be interpreted more broadly. Above we described the deficient burden-sharing in the EU in the area of migration. If burden-sharing is interpreted in numeric terms – the “sharing” of unwanted migrant arrivals on the EU's southern shores, EU consensus is likely to remain elusive, as northern members remind their southern peers of the disproportionate number of migrants and asylum seekers they already host. If, however, burden sharing is interpreted in financial terms – bolstering southern members' capacity to adequately perform both the protection and security functions of external migration policy – an enhanced EU fiscal capacity could conceivably play a crucial role. Were this to happen, then all current and future members that lie at the EU's borders would be likely candidates to receive such “stabilization” funds. When it comes to investments instead, debate has concentrated on the use of an EU fiscal capacity to stimulate growth by investing in flagship EU infrastructure projects. Indeed the Connecting Europe Facility and the pilot EU-EIB project bond initiative move precisely in this direction. However, the financing conundrum remains real, with the risk of large chunks of TEN remaining on paper. Were an EU fiscal capacity to develop through a fiscal union and be directed to stimulate infrastructure investments, then its recipients ought not to be confined to the Eurozone, given the inapplicability of a geographic core/non-core distinction in this policy sector, but non-Eurozone members would only be allowed to participate through national financial contributions.

ec.europa.eu/economy_finance/crisis/documents/131201_en.pdf.

Figure 1. The Myth of Core Europe



4. A More United and Effective Post-Crisis Europe: A Way Ahead

If a concentric circle Europe is neither feasible nor necessarily desirable, how could a more united and effective EU be achieved? And how could such a Union also rebuild its lost legitimacy? The picture that emerges from the *Imagining Europe* project is one in which the EU as a whole will remain the principle reference point. This does not exclude occasional liminal opt-outs across and within different policy areas. But on a whole, the EU will remain as one. In this respect, the United Kingdom is likely to be left in a league of its own, not only because of its non-Eurozone, non-Fiscal Compact, non-Schengen status, but above all because of the fundamental uncertainty over its European future. While Euroscepticism is on the rise across the EU and while other member states are also questioning the allocation of competences between levels of EU governance, no other member questions its future within the Union. The UK is unlikely to offer a model to other current members. However, if, as highly desirable, it were to remain either in or associated with the EU, it could offer an interesting model to future enlargement countries like Turkey and perhaps even Ukraine. In other words, the future EU may have some permanent fuzzy edges. But it would remain a single political space.

Within this EU, the fiscal and monetary domain will continue setting the pace and shape of integration in the years ahead. The push for completion of a banking union and the establishment of a fiscal union can only come from leadership within the Eurozone itself, and, above all, from the reconstitution of a social contract between Eurozone members across the north/south-creditor/debtor divide. But, as outlined throughout, there is no reason to assume that integration in this area would indefinitely be limited to a sub-set of member states, but may gradually expand to include (almost) all. Furthermore, in moving towards a fiscal union featuring both fiscal consolidation and a genuine fiscal capacity, two measures would be worth considering. The first would be to channel more significant EU funds into infrastructure and external border management.²⁶ The second and related

²⁶ In their exposition of a fiscal union, Emma Bonino and Marco de Andreis advocated an EU fiscal capacity responsible for automatic stabilizers, research, infrastructure and also defence, diplomacy and border control. See Emma Bonino and Marco De Andreis, *Federation Lite, or what the United States of Europe might look like*, December 2011, <http://www.emmabonino.it/press/world/9991>.

measure would be the exclusion of investment spending in EU infrastructure and external border control and protection capacities from the Macroeconomic Imbalance Procedure. Both investments in infrastructure and migration and asylum capacities should be applicable to all member states, and not exclusively to Eurozone members.

The temptation of a Eurozone over-determinism when thinking through the future of the EU as a whole is natural to some extent. Integration in the fiscal and monetary realm may indeed spillover and induce greater integration in other policy areas, thus approaching a federal steady state. But if the mechanisms of European economic governance remain open to all EU members and foresee a gradual expansion, the current two-level EU is unlikely to become entrenched. Consequently, it would not justify its crystallization through new institutions. If the EU does not develop in a concentric circle fashion, establishing new institutions (such as a Euro-area Council of Ministers, matched by a similar parliamentary body, as proposed by the Eiffel Group) would simply risk adding to the perceived complexity of the EU machinery while doing little to bolster democratic accountability.

This leaves two principal questions unanswered. The first question is how to push for a Union which is more united and effective – federal – but remains a single political entity across all policy areas? Here, ideas stemming from the defence and energy sectors could indicate a way forward. In the CSDP debate, ideas about “leadership groups” are not new. The idea is that of sub-sets of like-minded states that push for deeper integration in defence industry and policy in specific areas in order to generate trust, save money and collectively accomplish the mission spelled out in the 1998 St. Malo declaration. There has already been intense cooperation amongst specific groups: Denmark, Sweden and Finland, alongside non-EU Norway and Iceland; the Belgium and the Netherlands; the Visegrad countries;²⁷ the Central European Defence Cooperation,²⁸ the Weimar triangle,²⁹ and the Iberian peninsula, to name a few. Moving forward, while the European Council in December 2013 delivered well below expectations, it did set out an agenda on a number of key issues. Were European Council meetings dedicated to defence to be regularized to

²⁷ The Czech Republic, Poland, Slovakia and Hungary.

²⁸ Austria, Croatia, the Czech Republic, Hungary, Slovakia and Slovenia.

²⁹ France, Germany and Poland.

provide strategic guidance and, above all, followed up by implementation via multinational EU programmes³⁰ coordinated by the European Defence Agency, a significant step towards a more united and effective CSDP would be made. If this happened and CSDP became a more credible defence framework, CSDP and the European pillar of NATO could gradually merge, with CSDP providing the core security and defence functions in the European space and neighbourhood, and NATO, as the hard “outer” core, continuing to provide inter-operability, command and control, common defence planning, strategic dialogue, and foremost Article 5 guarantees. Such an evolution is of course premised upon organic NATO-EU cooperation requiring, in turn, a resolution of the Turkey-Cyprus conflict.

Energy is another area in which *avant-garde* regional clusters may offer a way forward in the elusive search for a more united and effective Europe. In view of the different regional interests and priorities across the EU, various clusters have already emerged, pressing for deeper integration, harmonization and coordination on specific issues: the Visegrad initiative stretching into the Balkans; the Pentalateral Energy Forum³¹ that has already expanded to Austria and Switzerland and could conceivably include Italy and Denmark; the North Seas Countries Offshore Grid Initiative;³² and the Mediterranean Energy Forum, which also comprises southern Mediterranean countries. Rather than pursuing an integrated internal market top-down, a bottom-up approach, upgraded and amplified by the EU’s blessing, may offer a way out of the impasse.³³

The risk in pursuing a clustered approach in the energy, defence, migration or infrastructure areas is fragmentation: whereas regional clusters would press for greater intra-group integration, they may do so independently or at cross purposes. The overall result across the EU would be a risk of disintegration. Political, policy and to some extent operational guidance at the EU level, while allowing for due flexibility within the given parameters, would thus be of the essence. In communitarianized policy areas, such as

³⁰ Beginning with cyber security, drones, satellite communication and, above all (as the Libya operation has taught us) air-to-air refueling.

³¹ Belgium, Netherlands, Luxembourg, France and Germany.

³² Belgium, Denmark, France, Germany, Ireland, Luxembourg, Netherlands, Norway, Sweden and the UK.

³³ Christian Egenhofer and Jacques de Jong, “Thinking the Unthinkable: Promoting Regional Approaches to EU Energy Policies for a More United and Effective Europe”, in *Imagining Europe*, No. 7 (May 2013), <http://www.iai.it/content.asp?langid=2&contentid=1123>.

infrastructure, energy and to some extent migration, the Commission would thus propose policy guidelines for clustered cooperation. In some sectors – infrastructure or energy – a regional approach embedded in an EU framework would likely be a precondition. In areas such as defence or migration, geography would be a less relevant criterion. In all cases, every member state could and in fact would be encouraged to participate in more than one initiative. Operationally, member state clusters could come together within the framework of specific agencies. The European Defence Agency could act as an interesting model for areas such as energy, where an energy agency – incorporating ACER (Agency for Cooperation of Energy Regulators) – could represent the venue in which actors meet, share information and pursue jointly funded and managed programmes, which would be open to opt-in mechanisms.

The second question regards legitimacy. At one level, output legitimacy could be reconstituted were the EU to exit the crisis as more united and effective entity. At another, deeper, level, the crisis has perhaps irreversibly let the genie out of the bottle, with European citizens now well aware that what is decided in Brussels is not far removed from their daily lives. The need to shore up input legitimacy will not fade with the end of the crisis. On those EU policy issues which have been politicized – foremost fiscal consolidation – reconnecting EU citizens with the EU project will be crucial. How to bolster EU legitimacy and accountability without creating an extra layer of EU institutions?

Taking the EU as the reference point for a more united, even federal, Union, points to two paths for action. Both these paths are, to different degrees, in the embryonic phase of debate and experimentation. The first, aimed at filling the political – rather than strictly democratic – deficit of the Union, regards the “politicization” of the European Commission. The first step is underway, with the future Commission President nominated by the political majority emerging from the European Parliament.³⁴ If interpreted as a stand-alone measure, this step risks creating more problems than it solves: partially undermining the technical character of the Commission without rendering the Commission as such the expression of the European public’s will.³⁵ If interpreted as an evolutionary move,

³⁴ Gianni Bonvicini (ed.), “Democracy in the EU and the Role of the European Parliament”, in *IAI Quaderni. English series*, No. 14 (March 2009), <http://www.iai.it/content.asp?langid=2&contentid=141>.

³⁵ Heather Grabbe and Stefan Lehne, “The 2014 European elections. Why a partisan Commission president would be bad for the EU”, in *CER Essays*, October 2013, <http://www.cer.org.uk/node/3590>.

then the organic bond between the European Parliament and the Commission President could act as a precursor to the full politicization of the Commission: an executive body whose political and policy orientation would emanate from the political preferences of the European electorate: pursuing more rightwing policies when the majority in the EP tilts to the right, and more leftwing policies when elections tilt the EP to the left.

Second, there is the need to compensate the lopsided evolution of the EU's economic governance during the crisis by reinforcing the role of the European Parliament and national parliaments. Here, ideas are currently being floated to establish economic dialogues between the European Parliament as a whole – or perhaps a future EP Eurozone committee – and member states on issues such as the Stability and Growth Pact and the Macroeconomic Imbalance Procedure, and between the EP and EU institutions on issues pertaining to the Two Pack or Six Pack. There is also the need to bolster the link between national parliaments and EU policy-making, particularly given the uneven manner in which the former have resisted the feeling of parliamentary powerlessness as regards national budgets and economic policy-making.³⁶ In this regard, proposals are being made, amongst which the strengthening of inter-parliamentary dialogue and cooperation both by enhancing existing instruments – for instance the Conference of Parliamentary Committees for Union Affairs of Parliaments of the European Union (COSAC) – and by establishing new interparliamentary arrangements with specific policy foci.

The answers emerging from our project distance themselves from authoritative voices calling for a concentric circle EU. Our dissent is not principled; it is practical. With these initiatives, we share the deep conviction that for Europe to resume growth, reconnect with its citizens, and punch its weight in a polycentric world, it must accomplish a *saut qualitatif* in integration. It must pursue a more federal Union, not as a dogma but as the model of governance that best reconciles diversity, integration and democracy. Complacency about a timid exit from the Eurozone crisis risks becoming Europe's worst enemy in the years ahead. Yet the historical trajectory and current evolution of the EU across different policy fields suggests that deeper integration can only be achieved by the EU as a whole. Internal variable geometries will likely remain the name of the European game. But the ensuing

³⁶ Claudia Hefftlér and Wolfgang Wessels, "The Democratic Legitimacy of the EU's Economic Governance and National Parliaments", in *IAI Working Papers*, No. 13|13 (April 2013), <http://www.iai.it/content.asp?langid=2&contentid=900>.



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complexity of the Union need not hamper the push for greater unity. On the contrary, ad hoc coalitions, regional clusters and leadership groups, provided they remain embedded in the EU framework, become supported by an indispensable EU fiscal capacity, and are matched with the closure of the EU's daunting political deficit could offer the way ahead for a more united, effective and legitimate Union.

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.