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Four Scenarios for European Integration

NIKOLAY KAVESHNIKOV,

PH.D. IN POLITICAL SCIENCE, ASSOCIATE PROFESSOR, HEAD OF THE INTEGRATION PROCESSES DEPARTMENT AT MGIMO UNIVERSITY, LEAD RESEARCH FELLOW AT THE RAS INSTITUTE OF EUROPE, RIAC EXPERT

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Four Scenarios for European Integration

The EU has suffered a series of crises over the past few years, leading many experts to continually predict the downfall of Europe. The Eurozone crisis uncovered a number of economic issues that need to be dealt with in order to improve the overall competitiveness of the EU economy.

There are two reasons that explain why the EU was particularly vulnerable to the global financial crisis:

- 1. The single market united countries that had very different economic structures, as well as huge disparities in terms of their development;*
- 2. Due to the political reasons the Economic and Monetary Union combined a supranational monetary policy with the almost individual economic policies of all the EU member states. The acute phase of crisis (the threat that a number of countries could go bankrupt and leave the Eurozone) was mitigated.*

The long-term problems, deepened during the crisis, remained unresolved – the large national debt of a number of Eurozone countries, alongside with the stagnating economy and the high unemployment level. However, the main long-term problem is the consistent trend of diminishing role and increasingly insignificant place of the EU in global economy. The need to improve the economic competitiveness of the EU has long been acknowledged. But the programmes developed to address these issues (the Lisbon Strategy devised in 2000 and the Europe 2020 strategy) have fallen short. In order to significantly increase competitiveness, the EU has to embrace social security reforms, which Western Europe is not ready to do.

The migration crisis has brought to the fore all kinds of conflicts associated with the multinational and multi-faith nature of European society. In mid 2000s multiculturalism (based on the assumption that different cultures could co-exist in Europe in order to mix, to mutually enrich each other and to develop together) was found to be ineffective. Now European countries are seeking to ensure that migrants become integrated into society fully accepting the dominant culture of the host country. This means that migrants have to demonstrate that they know and respect the history and government

system of the host state, that they recognize its values the values of the EU. So far, there has been little success in this respect.

Two negative, and opposing, trends have swept across Europe in recent years: the rise of Islamic fundamentalism on the one hand, and the growth of nationalism as well as right-wing radicalism – on the other. These trends represent a significant threat to the internal stability of the European Union.

The EU's attempt to build a foreign policy strategy based on "soft power" in the world of global instability did not stand up to reality. The success of enlargement towards the East has forced Brussels to use a similar approach with neighbouring countries. The Euro-Mediterranean Partnership and the Eastern Partnership attempted to create a "zone of good neighbourliness" through the economic and political transformation of neighbouring countries in the EU image and likeness. However, both these programmes failed. What the EU got instead was a zone of instability at its borders, producing all kinds of risks. The Ukrainian crisis exposed the systemic defects with the European security architecture and became a cause of increasing tension across Europe. When the system of reacting to "hard" security challenges, the role of "soft power" weakens.

AUTHOR:

Nikolay Kaveshnikov, Ph.D. in Political Science, Associate Professor, Head of the Integration Processes Department at MGIMO University, Lead Research Fellow at the RAS Institute of Europe, RIAC Expert

Economics, identity and foreign policy – these are the challenges that are currently affecting the most important achievements of European integration. Meanwhile the European Union is not in the “best shape” to deal with these challenges: it has no long-term goal or image of a desired future (finalité); it is too large and unites very diverse countries with different fundamental characteristics and priorities; its institutions are made up elements of inter-governmental cooperation that are becoming increasingly dominated by the bigger countries, and Germany in particular.

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In recent years, the number of academic studies and political opinions on the desired future of the EU has grown significantly. Despite the diversity of these opinions, they can conditionally be divided into one of four options: more Europe, less Europe, consolidation of Europe, flexible Europe. Each of these scenarios is aimed at achieving a certain image of future that is desirable for some political powers in the EU and barely acceptable for others. The systemic crisis is forcing the EU elites to choose finalité for European integration – a choice that they had managed to avoid for several decades.¹

1. “LESS EUROPE” DOES NOT MEAN SIMPLY ABANDONING THE IDEA OF A “CLOSER UNION”.

At the heart of this strategy is the notion that European integration has gone too far, and certain “mistakes” of the past need to be re-evaluated. For example, the rationale for the creation of the management system in the Eurozone is questioned (particularly those elements of centralism that have been introduced in recent years in response to the debt crisis).

The idea is to dismantle a number of sectoral

policies that “interfere” to a great degree in sensitive “national” spheres (migration issues and the social sphere, for example). Reducing the regulatory functions of the European Union, which have distorted the concept of a free market (agricultural policy, consumer protection, etc.) is discussed ones again.

According to this logic, the main achievement of the European Union is the single market. Returning to the main idea of the EU would be a pragmatic and effective approach to integration, and it should replace the attempts to fix the crumbling (Eurozone) or achieve the impossible (a political union). The most vocal supporter of this approach in the United Kingdom. For example, in a letter to the President of the European Council Donald Tusk dated November 10, 2015, David Cameron mentioned the need to reduce the burden that current EU legislation places on businesses, guarantee that the further development of the European Union and the Eurozone do not threaten the “integrity of the Single Market” and focus on fulfilling the commitment to the “free flow of capital, goods and services.”²

Two negative, and opposing, trends have swept across Europe in recent years: the rise of Islamic fundamentalism on the one hand, and the growth of nationalism as well as right-wing radicalism – on the other. These trends represent a significant threat to the internal stability of the European Union.

However, the strategy of “less Europe” will not help solve a number of the current crises. The dissolution of the Eurozone will only exacerbate the economic crisis in Europe and will make member states with high national debt (above all Greece, but also Portugal and Italy) more vulnerable to the “tyranny of the financial markets”. The EU has been criticized for its ineffective measures to resolve the migration crisis. This criticism ranges from neatly formulated expert opinions, such as “the EU authorities have been sluggish and indecisive in their response to illegal immigration,”³ to

¹ Incidentally, the third option would allow the choice to be put off yet again.

² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/475679/Donald_Tusk_letter.pdf

³ http://russiancouncil.ru/inner/?id_4=6793#top-content (in Russian)

highly emotional political statements: “Europe’s response [to the migration crisis] is madness.”⁴ However, abandoning a unified migration policy will leave the EU’s border countries to deal with the flow of migrants by themselves, which will inevitably lead to the disintegration of the Schengen Area and threaten the fundamental values of European society.

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It will also increase the risk of political disruption at the national level. A controlled dismantling of some of the European Union’s achievements is fraught with the risk of uncontrollable degeneration. At the same time consolidating national sovereignty by reclaiming a number of functions that had been transferred to Brussels will make EU countries less competitive and less capable of responding effectively to the challenges of globalization.

It is extremely unlikely that this strategy will be implemented. However, the risk that certain EU countries might unilaterally start “building fences” and sabotaging some of the European Union’s core rules cannot be ruled out completely.

For Russia, the “less Europe” scenario means a very real risk of destabilization in its neighbour’s house. We should also bear in mind that Central European countries, feeling the growing political and military-political risks as a result of the EU’s waning influence, will be inclined to demand additional security guarantees from NATO. Therefore, a very likely consequence of a weaker EU would be the increased influence of the United States in Central Europe.

2. “MORE EUROPE” MEANS A LEAP FORWARD TO A FULLY FLEDGED FEDERATION, EVEN IF THE WORDS “EUROPEAN ECONOMIC AND MONETARY UNION”, “TAX UNION”, POLITICAL UNION, ETC. ARE USED INSTEAD OF “FEDERATION”.

According to this logic, the reason for the EU’s current problems is the lack of power to deal with the internal and external challenges. The EU needs a more centralized management system with strong political executive powers and more legitimate representative bodies. This political system should have far greater regulatory powers, impose and collect taxes and influence the macroeconomic policies of member states significantly. This logic is evident in the reports produced by the Future of Europe Group⁵ and Herman Van Rompuy.⁶ But these are by far not the only advocates. Suffice it to recall President of the European Commission Jean-Claude Juncker’s call in March 2015 for a European army to be created.⁷

In the current situation, the elites and in particular the populations in the majority of EU countries are not prepared to cede power to supranational institutions if it means losing key areas of their national sovereignty (the tax system, social and foreign policy).

However, it is also extremely unlikely that this strategy will be implemented. In the current situation, the elites and in particular the populations in the majority of EU countries are not prepared to cede power to supranational institutions if it means losing key areas of their national sovereignty (the tax system, social and foreign policy). Increasing the legitimacy of EU institutions in the eyes of the people can only take place if they are restructured from the ground up, at the expense of politicization. This is not realistic, both for pragmatic (the national elites’s interests) and systemic (the absence of a deeply rooted common European identity) reasons.

⁴ Prime Minister of Hungary Viktor Orbán <http://www.theguardian.com/world/2015/sep/03/migration-crisis-hungary-pm-victor-orban-europe-response-madness>

⁵ Final Report of the Future of Europe Group of the Foreign Ministers of Austria, Belgium, Denmark, France, Italy, Germany, Luxembourg, the Netherlands, Poland, Portugal and Spain. 17 September 2012. Available at the Web site of the Federal Foreign Office of Germany: <http://www.auswaertiges-amt.de/cae/servlet/contentblob/626338/publicationFile/171843/120918-Abschlussbericht-Zukunftsgruppe.pdf>;

⁶ Towards a Genuine Economic and Monetary Union. Report by President of the European Council Herman Van Rompuy. European Council, June 26, 2012.

⁷ EU-Kommissionspraesident Juncker fuer europaeische-Armee. Die Welt, 8.03.2015. <http://www.welt.de/newsticker/news1/article138177624/EU-Kommission-spraesident-Juncker-fuer-europaeische-Armee.html> (in German).

For Russia, the “centralization” of the European Union could theoretically be beneficial, because it would inevitably lead to the more powerful EU countries – those which are capable of being responsible political leaders – to increase their influence. However, this scenario is only possible if the EU countries rally together against an external enemy (real or imagined). For example, there have been attempts by a number of EU countries to use the “Russian threat” to further its energy policy,⁸ although the majority of the political elite do not yet see the “Russian challenge” as the “Russian military threat.” In the present historical context, then, “more Europe” would mean increasing the common will “contain Russia”.

The chances of following the consolidation route are very high, especially because this option does not require a clearly coordinated political decision. It is sufficient not to make any decisions about a future strategy, and the EU institutions will automatically try to “do it better”, as long as the task of “doing more” is not put in front of them.

3. THE STRATEGY OF “CONSOLIDATING EUROPE” INVOLVES UNDERSTANDING AND REFINING WHAT HAS ALREADY BEEN DONE.

A lot was done from 2011–2015, particularly with regard to overcoming the debt crisis: the European Financial Stability Facility (EFSF) was created; several documents were adopted that together became the foundation of the Banking Union; and mechanisms for monitoring national budgets (the so-called “Sixpack”) were developed.⁹ In addition, the plan for the creation of the Energy Union (even though there is almost nothing new) was approved, the digital market tasked with supplementing the single internal market, and the Juncker Commission launched a series of programmes to stimulate investment and employment. Consolidation means standing back and giving new initiatives time to work and

bring tangible results. Instead of institutional reforms and new projects, the European Union should “do less, but do it better.”

This option appeals politicians and bureaucrats who want to avoid making unpopular decisions. However, another name for consolidation is inertia, and inertia is effective only when there are no crises. At a time of global turbulence, and a time when questionable processes are taking place within the European Union, only one thing is for certain – new challenges (and perhaps even crises) will present themselves.

To be sure, European politicians have mastered the art of turning a blind eye to unwanted trends (they have persistently failed to address the issue of the growing number of migrants entering the EU over the past few years, for example). But sooner or later these trends turn into crises, crises that cannot be overcome through consolidation/inertia (and the EU was forced in 2015 to adopt difficult systemic decisions with regard to migration, and it has several difficult decisions to make in the future).

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For Russia, the “centralization” of the European Union could theoretically be beneficial, because it would inevitably lead to the more powerful EU countries – those which are capable of being responsible political leaders – to increase their influence.

For Moscow, this option is for the most part advantageous. The EU would retain all the characteristics that Russian diplomacy has become accustomed to. However, such a

⁸ See: Kaveshnikov, N.Y. The EU Energy Union Project in the Context of Relations between Russia and the European Union // Moscow University Herald. Series 25: International Relations and Global Politics. 2015. No. 2, pp. 73–95 (in Russian).

⁹ See: Tsibulina, A.N. Banking and Fiscal Unions in the EU: What is More Important? // MGIMO University Herald. No. 4 (37), 2014, pp. 155–161. <http://www.vestnik.mgimo.ru/razdely/mezhdunarodnye-otnosheniya/bankovskii-i-fiskalny-soyuzy-v-es-cto-vazhnee> (in Russian).

development could give rise to exaggerated assessments of the real processes of the weakening of the European Union. And this, in turn, would lead to a distorted view of the long-term balance of possibilities and resources. What is more, the temptation to try to benefit from contradictions that exist between individual member states and influence the European Union through bilateral relations with countries that are inclined to declare that they understand Russia's position in return for practical concessions will be great.

4. FLEXIBLE EUROPE. "FLEXIBLE INTEGRATION".

Is a set of mechanisms that allow interested EU member states to work more closely together within the framework of existing institutions without interference from other EU partners (the countries that move forward are those that want to and are able to).¹⁰

The general foundation of integration (a common internal market), inclusive management practices and intensive interaction among "advanced" groups and outsiders allows the spirit of solidarity to be maintained for the time being.

In the search for a way out of the Eurozone crisis, certain mechanisms were created (specifically, the Banking Union and "Sixpack" mentioned earlier) that further highlight the differences between Eurozone members and outsiders. With increasing frequency we hear about the connection between the single currency and the political union. A number of enhanced cooperation projects have been set up, including economic projects (the European Patent¹¹ and the Financial Transaction Tax).¹² What we see is the gradual formation of the "core and the periphery of the European Union."

Transforming the EU and creating a "flexible European Union" has a number of obvious advantages. Flexibility will combine the EU's core federalization with the current (or even lower) level of integration of countries which do not

want federalization or which do not meet the increased requirements. The outline of this core is becoming increasingly evident – the modernized Eurozone minus some economically weak states (above all Greece), plus certain Central European countries (most notably Poland). Among those who have proffered the benefits of flexible integration in recent years are Angela Merkel, Nicolas Sarkozy, François Hollande, Mark Rutte and Enrico Letta.¹³

The "core and periphery" structure can be created without reforming the EU's fundamental agreements through a series of interconnected decisions, which would reduce the chances of opponents rallying against it.

Transforming the EU and creating a "flexible European Union" has a number of obvious advantages. Flexibility will combine the EU's core federalization with the current (or even lower) level of integration of countries which do not want federalization or which do not meet the increased requirements.

At the same time, flexibility is fraught with serious problems. The outsiders will be faced with the very difficult task of playing catch up with the leaders, who will have jumped out in front. A significant portion of the peripheral EU states will be effectively shut out from the decision-making process. Additional economic integration of the core will affect the common market, threatening with its fragmentation.

For Russia, this option is favourable. The "core" of the EU will be made up of major countries that Russia has always had an easier time understanding, and vice versa. The influence of the peripheral countries in the EU, many of which are prone to demonizing Russia, will decrease. The process may be accompanied by the proponents of Realpolitik increasing their power in Europe, and the role of value components in the EU's foreign policy decreasing.

¹⁰ For more on flexible integration, see: Babyinina, L.O. Flexible Integration in the European Union: Theory and Practice. Moscow: URSS, 2012; Kaveshnikov, N.Y. "Flexible Integration" in the European Union // International Processes, Volume 9, No. 2 (26). May–August, 2011, pp. 58–69. URL: <http://www.intertrends.ru/twenty-sixth/006.htm> (in Russian).

¹¹ Council Regulation (EU) No 1260/2012 of December 17, 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements // OJ L 361, 31.12.2012, pp. 89–92

¹² 2013/52/EU Council Decision of January 22, 2013 Authorising Enhanced Cooperation in the Area of Financial Transaction Tax.

¹³ Koenig N. A Differentiated view of Differentiated Integration. Jacques Delors Institute Policy Paper. No. 140, 2015, p. 5.

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The transformation of Europe in the second half of the 20th century is an incredible success story. A significant part of this success is down to regional integration processes. Today, EU residents can move freely across the borders of the Union and benefit from a common market, not to mention the convenience of having a single currency. On the whole, the European Union is home to an inclusive society, a highly developed economy and a social security system that guarantees a high quality of life. EU countries have accumulated years of experience in delegating sovereignty and managing the region together in order to reap the benefits, and minimize the risks, of globalization. The European Union is a fine example of the organization of regional subsystems in international relations.

The story of the EU from the 1950s is a story of overcoming crises. The EU came out of every crisis with changes, sometimes more unified, sometimes weakened, sometimes more flexible, but always adapted to new realities.

For Russia, this option is favourable. The “core” of the EU will be made up of major countries that Russia has always had an easier time understanding, and vice versa.

The European Union will likely come out of the current series of crises with a strategy of consolidation and flexible integration, which in the medium term will lead to its transformation into a system of “core and periphery”. In this case, Germany can become the leader of the Eurozone, and the Eurozone will determine the development strategy of the “Greater EU.”

RECOMMENDATIONS

- The current systemic crisis in relations between Russia and the West makes difficult forming long-term priorities with regard to Europe. The events of recent months suggest that Moscow is ready to put a great deal of effort into normalizing relations with Europe.
- Russia will need to exert substantial political and economic resources if it is to continue its effort to “Pivot to the East” and create an independent pole of growth in Eurasia through the development of the Eurasian Economic Union. In this context, it is important for Russia’s relations with the European Union to be predictable, as the European Union is one of Russia’s key trade and economic partners and an important foreign policy actor.
- Selective cooperation under the condition of mutual respect for the sovereignty and unconditional equality of the sides is the best possible option in terms of developing Russia–EU relations in the medium term. In case of the progress on both the Eastern and the Eurasian fronts, the long-term goal of building a common economic and humanitarian space from the Atlantic to the Pacific, uniting Eurasia, the Asia-Pacific and Europe by harmonizing integration processes in the Eurasian Economic Union, the Silk Road Economic Belt and the European Union could become a reality.
- In this scenario, Russia is interested in preserving the stability and the effective functioning of the European Union, as well as in the moderately positive economic development of its member countries. Any kind of destabilization of the EU will mean increased economic, political and even military-political risks, particularly in Central Europe, and could also lead to the United States bolstering its influence in Europe.
- The most advantageous situation for Russia would be for the influence of the major players in the European Union to grow, along with their ability to contribute to maintaining the stability and governability of countries at the periphery. The transformation of the European Union into a “core and periphery” system most closely matches these parameters. Assuming that things develop favourably, the possibility of building pragmatic relations with the “core” of the European Union while preserving tactical freedom of movement in terms of bilateral relations may very well present itself.



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Tel: +7 (495) 225 6283
Fax.: +7 (495) 225 6284
E-mail: welcome@russiancouncil.ru
119180, Moscow, Bol. Yakimanka St., 1.

www.russiancouncil.ru