

European Integration by Differentiation

Jean Pisani-Ferry

Bruegel, EUI, Sciences Po and Hertie School

(paper with Maria Demertzis, André Sapir, Thomas Wieser and Guntram Wolff)

LUISS Seminar, 28 May 2019

Times are changing

New issues

- Mass migration and asylum
- Climate change
- Cybersecurity
- Economic sovereignty

New behaviours

- « Sovereignty »
- US / China

New divides

- Brexit
- East/West
- North/South



Ignazio Visco

PERCHÉ
I TEMPI
STANNO
CAMBIANDO

il Mulino

The issue

EU must redefine European public goods

- Internal integration has run out of steam (though much to be done..)
- Increasing doubts regarding « ever-closer union »
- External dimension has gained relevance (economic sovereignty, defence, migrations, climate)
- In an hostile climate (2011-2012: surrounded by friends. Not anymore)

But no consensus

- Same isolationist forces that undermine the multilateral order undermine the EU
- Long-standing differences in preferences: defence
- Serious, though probably temporary disagreements: climate
- New, deep cultural divide: identity and migrations

Serious risks for the EU

- New mission, but inability to respond > loss of relevance and legitimacy
- Neglect of differences > internal division

A related issue

EU must redefine relationship with its neighbours

- UK: what framework post 31/10/2019?
- Balkans: enlargement delayed at best
- Ukraine, Turkey: in search of a model

Vital in an increasingly challenging environment

- US, China reactivating or building clientèles
- Risk of neighbours drifting away

But « hub-and-spokes » EEA framework ill-suited

- Too asymmetric (partners are only rule-takers)
- Too rigid

The legacy

EU designed as single undertaking

- Strong underlying mechanisms (*acquis*) : indivisibility + irreversibility

Two alternative ways to reconcile differences

- *Multi-speed* - eg for the euro. Same goal, different pace
- *QMV* - has worked well for implementation of single market

Difficult challenges ahead

- Euro: multi-speed increasingly fictional:
- Refugees: QMV has failed *politically* (Council decision not implemented despite ECJ ruling)
- Foreign and security policies: different preferences (Russia, China, US)
- Investment control
- Growing risk of stalemate

Need to rethink the integration model

The agenda

Break the taboos

- Is the acquis divisible? YES
- Can some countries move backward? YES, accommodate changes in preferences

Define the complementarities

- No to cherry-picking
- But there can be different levels and different fields of integration
- Essential that complementarities are preserved

Choose an integration models

- *Concentric circles*: Institutionally simple, functionally disputable
 - Why link euro and defence?
- *Separate circles*: functionally operational, institutionally unworkable
 - Lack of institutional unity
 - Endogenous divergence, negative spillovers

The proposal

Common base for all: a "bare-bones EU" built around single market and CU

- Fundamental principles (cos EU is not just an economic entity)
 - Rule of law & democracy
 - Fundamental rights of persons, citizens and workers
- Customs union
 - Common trade policy
- Single-market related policies:
 - Four freedoms
 - Competition, consumer protection
 - Services regulations
 - Related sectoral policies: transportation, TEN
- Structural funds

+ Clubs

What clubs?

Limited number of policy-coherent clubs designed to internalise externalities

Euro club

- Money
- Banking
- Budget

Migration + Schengen

- Common asylum policy
- Common refugees protection agency
- Common border control

Security and defence

- Procurement
- Infrastructure
- Intervention

Climate club? Hopefully not, but may be needed

Taxation club (for CIT)? Arguably not, but may be needed if EU is deadlocked

Institutional structure

NOT a concentric circles model (no hierarchy)

Legal and institutional system for common base (Treaty/Commission/Council/ECJ/Parliament)

Legal base eventually stripped out of non-essentials (« ever closer union » and aspirations)

Clubs involve:

- Specific treaties
- Specific secretariats, either anchored in the Commission or separated (à la ESM)
- Parliament formations corresponding to club geometry (when needed)

Clubs may include outside guests (e.g. UK for defence)



Joining and leaving clubs

Club structure should ensure:

- Coherence (externalities across policy areas)
- Fair degree of homogeneity
- Fair degree of stability

Significant problems involved (Alesina-Angeloni-Etro 2005, Nordhaus 2015)

Hence:

- Explicit criteria for joining (not new)
- Entry by self-selection + decision by existing members
- Exit possible in principle, high hurdles may be needed to avoid instability (eg national constitution)

A wider partnership

Proposed structure by itself not a solution to UK / Turkey / Balkans problems
But differentiated integration philosophy would help find solutions to them

Possibility of « EU minus » involving:

- Customs union
- Some single market elements
- No labour mobility
- Less strict conditions for rights and values

Would lead to multilateralisation of current partnerships

Likely consequences

Different choices, different fates

- Some EU countries would choose not to go beyond bare-bones EU
- Some would join all clubs

- Some EEA members would join bare-bones EU
- Some would prefer EU-minus

- What if some EU members prefer to go for EU minus? Not a tragedy

Agenda

1. Testing demand: Informal « coalitions of the willing »
2. Geometry of clubs (eg. Asylum + Schengen)
3. Institutional structure
4. Redefinition of EU essentials (what in the acquis is truly indivisible)
5. Content and structure of EU-minus