

Chapter 7

Taking the bull by the horns: differentiation within the EU to save it?

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Introduction

Since the beginning of the economic and financial shock of 2008-2009, the European Union (EU) has suffered a number of unprecedented crises: the euro crisis – related to the sovereign debt crisis (since the end of 2009), the Ukraine crisis (since 2013), refugee crisis (since 2015), terrorist attacks in France and in Denmark (2015) repeated in 2016 in Belgium, and again in France, not to mention persistent (long-term) unemployment problems (Bouget and Vanhercke, this volume), increased social inequalities and economic stagnation. The list is unsettling.

While these problems have accumulated over the years, the promise, in May 2015, by British Prime Minister David Cameron to hold a European Union referendum marked a turning point in European politics, and we can expect it to have huge effects on both the political and economic prospects of Europe. Brexit may indeed mark the beginning of a new phase. It is the first case of the dis-integration of the EU after sixty years of gradual integration. The harsh reality is that the EU is not unsettling.

From now on it will be difficult to take a ‘business as usual’ approach to the many – both endogenous and exogenous – crises at the core of the present edition of *Social policy in the European Union*. The huge problems affecting different policy areas and the increased dissatisfaction of public opinion with the integration process may lead to further destabilisation of the European Union. This is a new existential challenge to the EU. In the EU capitals there finally seems to be a perception that ‘muddling through’ the crisis is not enough. What the

EU needs is a completely new approach. ‘Take the bull by the horns’ is a brutal expression that recalls the need for clarity and determination in addressing this challenge.

This concluding chapter aims to spell out the future prospects for the EU in this destabilised context. Section 1 looks briefly at three major crises – the Eurozone crisis and its social consequences, the refugee crisis, and Brexit – and their consequences for EU political dynamics. While the first two crises have been at the core of the previous chapters, the latter goes beyond the focus of the present volume. But in these concluding remarks on the future prospects of the EU it is important to refer to it as a further source of future conflicts. The previous chapters have shown that these critical dossiers are a problem themselves in that they represent a threat to the political and economic sustainability of the EU project. But, as shown in the following sections, these crises are also a source of growing tensions between Member States. Different groups of Member States are promoting alternative strategies to deal with them. As a consequence, the European Union is divided as to how to deal with such problems. The main questions for European policymakers should thus be: *How can we deal with this divergence between EU members’ viewpoints? How should we tackle the risk of a divided Europe?*

Section 2 looks at the ‘institutional strategy’, proposed by many analysts and policymakers, for increased EU diversification, referred to using various labels: ‘multi-speed’ EU, ‘concentric circles’, the ‘EU as a club of clubs’, or reinforced cooperation. Experts tell us that the most effective strategy for dealing with the increased tensions between Member States is to accept divisions and manage them in a more fragmented Union. Sub-groups of countries that share the same approach and goals for specific problems should move ahead together, while others should go slowly. Such a trend, already put in place in the EU (e.g. through the Eurozone and the Schengen Area) would have the advantage of clarifying the state of play of the EU and stating explicitly which countries share the same aims and which do not. Sections 3 to 4 refer to a number of hypotheses proposed in the last few dramatic months for further EU diversification in two of the critical areas mentioned above (refugee crisis and Brexit). Yet the risk is that this sort of institutional diversification could lead to a patchwork of narrow and diverse integration processes, each one with a different legal base and degree of

coordination/ harmonisation of national strategies. Section 5 focuses more on a possible ‘policy-based’ strategy to save the EU, whatever its institutional form. The decision of each single Member State to stay in or out of the integration process(es) largely depends on the policy measures to be adopted and the ultimate goals shared by the countries cooperating in each area. The key existential questions EU leaders will address in the future are: *What do the countries that decide to ‘stay in’ really want? What are the values and policy goals they wish to pursue?*

Recent years have shown that an economic austerity policy is not a sufficient driving force to make all Member States work together. The EU needs a policy package which is more oriented towards redistributive policies and the prevention of asymmetrical shocks. Such a policy approach should be based on a new compromise between two normative principles underlying any political community: *reciprocity* (a balance between what each member of the community gives and what it takes) and *solidarity* (giving something while asking for nothing in return, at least in the short term). While the former has been the main principle for exiting the crisis (each has to respect the rules, in line with the principle of ‘governing by rules and ruling by numbers’), the EU – whatever its form and degree of integration – needs more trust and solidarity among its components. Common values, and not only rules, should be emphasised. This has very much to do with the need for a true ‘European Social Union’ (Vandenbroucke with Vanhercke 2014).

1. The many crises of the EU

During a journey to the EU capitals in 2015, American economist Nouriel Roubini, described the sense of crisis he felt across Europe: ‘Paris is somber, if not depressed, after the appalling terrorist attacks (...)’ while ‘France’s economic growth remains anaemic’; ‘in Brussels, which was semi-deserted and in lockdown, owing to the risk of terrorist attacks, the European Union institutions have yet to devise a unified strategy to manage the influx of migrants and refugees’, ‘in London, there is concern about negative financial and economic spillover effects from the monetary union’, ‘(...) In Berlin, meanwhile, German Chancellor Angela Merkel’s leadership is coming under growing pressure’.

This disheartening picture mirrors the many crises the EU has dealt with in the last few years: the Eurozone crisis, the refugee crisis, the Russia-Ukraine crisis, and the security crisis linked to terrorism. Analysts are increasingly highlighting these tensions, and the EU's poor management of them is a major source of insecurity (Schmidt 2016). The problem resides not just in the many crises, but equally in the fact that EU Member States are divided on how to address them.

1.1 Eurozone crisis, its social consequences and the North/South divide

As stressed by economists (see for example Baldwin and Gross 2015), many of the problems that caused the Eurozone crisis are still there: the banking sector faces problems of non-performing loans, borrowers are vulnerable to a probable future increase in interest rates, and EU fiscal capacity is still far from being improved.

During the first years of the euro, capital did flow from the core nations (e.g. Germany, France and the Netherlands) to the periphery (e.g. Ireland, Portugal, Spain and Greece). This meant that the periphery was relying on foreign lenders to cover the savings-investment gap. But, when the Global Crisis broke out in 2008, these foreign investors stopped lending across borders (ibid.). Jones *et al.* (2016) have blamed this shortcoming, together with the lack of a banking and fiscal union, on the absence of a real sovereign authority able to protect the European economy as a whole. The missing bits of sovereignty include a fiscal transfer system to respond to asymmetric shocks; a risk-free asset in which to save money; a single system for supervising banks and capital markets; a central bank able to act as lender of last resort; and the ability to organise an EU-wide recovery programme (Skidelsky 2016). The last episode of the Greek Tragedy, described by Theodoropoulou (this volume), was the final proof of the existence of these problems.

Recent editions of *Social policy in the European Union* have explored both the traits and the causes of the Eurozone crisis (De Grauwe 2013). What must be stressed here is that the crisis has resulted in economic divergence and mounting social problems (see Bouget and Vanhercke, Ghailani, Poncé, this volume). Moreover, EU leaders have not shared the same analysis of the eurocrisis and its main drivers.

This disagreement takes the form of a North/South divide. As Emerson (2013) puts it, Germany is joined by the Netherlands, Finland and Austria as hard-line creditors of the Eurozone, whereas almost all of the Southern countries have become debtor countries (Greece, Portugal, Cyprus, together with Ireland, Spain and Italy). Alonso (2013) has mooted that the divide is not just economic and fiscal. It is also ideological in many respects. Northern policymakers support austerity and a rigid interpretation of fiscal consolidation, while they consider that the euro has solid institutional foundations. Southern European policymakers, however, demand more solidarity and public investment, in line with a looser application of neo-liberal orthodoxy and a revision of the policy and institutional mix at the core of the EMU. What is more, according to the polls, European public opinion is increasingly divided along the same geographical lines. Democracies in the North have recovered and even surpassed the levels of political trust and satisfaction with the political system that they enjoyed ten years ago; while democracies in the South are suffering from low levels of political trust and satisfaction (ibid).

1.2 The refugee crisis and the East/West divide

The refugee crisis is a further source of intense conflict between Member States. More than a million migrants and refugees crossed into Europe in 2015. The vast majority arrived by sea (via the Mediterranean Sea between Libya and Italy and the Aegean Sea between Turkey and Greece) but some migrants have made their way over land, principally via Turkey and Albania¹. International tensions, conflict in Syria, tensions in the Middle East and Africa, as well as violence in Afghanistan and Iraq, have triggered this exodus.

The IOM estimates that more than one million migrants arrived by sea in 2015 and almost 34,900 by land; the data quoted by Hassel and Wagner in this volume are even more alarming, which shows a huge acceleration when we compare these figures with the 280,000 arrivals for the whole of 2014. And the figures do not include those who were

1. We refer here to the data provided by the International Organization for Migration (IOM) and quoted by the BBC (2016).

able to enter undetected. EU institutions speak of more than 1,800,000 in 2015. Germany received the highest number of new asylum applications in 2015: more than 476,000. German officials said that more than a million had been counted. Hungary moved into second place for asylum applications, with 177,130 applications by the end of December 2015. This scale of migration reflects a true humanitarian crisis: according to the IOM, more than 3,770 migrants died trying to cross the Mediterranean in 2015. Most died on the crossing from north Africa to Italy, and more than 800 died in the Aegean, crossing from Turkey to Greece.

The issue has proved extremely delicate and, as stressed by Hassel and Wagner (this volume), the right strategy to address it in the European legal and institutional context is still to be defined. Tensions within the Eurozone, and in the EU as a whole, have arisen because of the disproportionate burden faced by those countries where the majority of migrants have been arriving: Italy, Greece and Hungary. It appears that the Dublin Regulation of 2013, which stipulates that the responsible Member State is the state through which the asylum seeker first entered the EU, is totally inadequate to manage new large flows of third country migrants.

The clash became evident in the second half of 2015 when the European Commission (supported by Germany and France) came up with a new 'permanent' and binding regime to spread the refugee load around all the 28 countries in the Union. The UK, Ireland and Denmark did not participate. The Visegrad countries – Hungary, Poland, Slovakia and the Czech Republic – immediately expressed their opposition to the proposal, arguing that 'West European-style multiculturalism is nothing but trouble and that they have no intention of repeating the same mistakes' (EurActiv 2015).

EU institutions proved unable to impose a solution. The European Commission can propose measures aimed at coordinating national efforts and creating more joined-up policies. But then it comes up against the opposition of national policymakers, keen to defend their own competences. Consequently, the same clash was repeated early in 2016, when Germany reiterated its demand to all EU members to take in an 'equal' number of migrants. Hungary wishes to see a fence built on the Bulgarian and Macedonian border with Greece, effectively cutting

off Greece from the 26-nation Schengen Area, of which it is a part. Athens has failed to prevent hundreds of thousands of migrants, largely from Syria and Iraq, from crossing its territory. The country has therefore – Hungarian Prime Minister Viktor Orbán and others argue – not met its obligations to protect Europe's borders (Ramirez 2016).

1.3 Brexit as a trigger for deconstructing or strengthening the EU?

After divisive debates over austerity and refugees in recent years, Brexit is the latest intractable issue the EU will have to deal with. Much of 2015 has seen an increased debate on the fate of the UK, in or out of the EU. While analysts had put forward many interpretations as to why the British might vote to leave the EU, what was extremely worrying was the evidence of growing dissatisfaction leading to centrifugal dynamics. As stressed by the UK mass media (Barber 2016), the British perceived themselves as doing rather well, whereas the EU is seen as doing badly. Since the emergence of the financial and economic crisis, the EU has indeed been identified with failure. Outside Britain and Germany, there has been almost no economic growth. The EU cannot defend its frontiers against terrorists. Its institutions lack legitimacy (Skidelsky 2016).

As stressed above, since Britain's decision to leave the EU, decisions are needed from the remaining 27 members. But, here again, the EU has proved to be divided on how to move on. At the end of June 2016, German Chancellor Angela Merkel hosted French President François Hollande and Italian Premier Matteo Renzi in Berlin to discuss the way forward. Yet, instead of a blueprint, the three leaders offered formal reassurance that Europe is not falling to pieces and an encouragement for the remaining 27 to work together and strengthen the Union. So far, however, Europe's leaders cannot even agree on when the UK should start the procedures to leave. While the European Commission, the European Parliament and many Member State leaders demanded that the UK trigger the EU's exit clause immediately, the German Chancellor urged patience (Palmeri 2016). And while many are pushing for more intense cooperation, others advocate working within the present framework to find pragmatic solutions to issues such as the security threat, migration and youth unemployment. In other words, there are

too many conflicts for it to be possible to agree on the British exit and a radical EU reform in the short term (see section 3).

2. Differentiated integration: who wants to be in and who out?

2.1 Explaining differentiated integration in Europe

As expressed above, the key question is thus how to address this growing division between the EU members. Many have proposed an institutional strategy to address the situation: further steps towards a differentiated type of integration. As recalled by Fabbrini (this volume), differentiation can be pursued through a Treaty revision (constitutional differentiation), or with no Treaty revision, through an internal differentiation with different groups of countries speeding up their integration in some policy areas (policy differentiation).

Differentiation is a principle that has been applied to the European integration process since its launch. It was reinforced after the recent enlargements and the broadening of the EU policy agenda (Martinico 2015). The general principle was mainly based on a differentiated speed of national reforms toward an ultimate objective of full integration. However, this principle has led to fragmentation, with some EU Member States moving further in the integration process, while allowing others not to do so (Chopin and Lequesne 2016).

As stressed by Koenig (2015), the method of '*enhanced cooperation*' has been written into the Treaties, allowing for new initiatives to be taken by a selection of Member States. This path has been seen as an option to let the EU advance towards a federal structure. A core group would advance at a faster speed, to be later joined by other Member States, 'respecting the wish of those who do not want to deepen any further' (European Council 2014 quoted in Zuleeg 2014), to finally re-establish the unity of the EU in due course (Koenig 2015: 5). This is theorised through the 'theory of clubs' where the EU is defined in terms of a club of clubs, and the clubs' memberships simply differ from one policy area to another (Dyson and Sepos 2010; Majone 2014). According to Zuleeg (2014), this is very similar to the idea of '*concentric circles*': with some countries choosing never to integrate with respect to certain aspects.

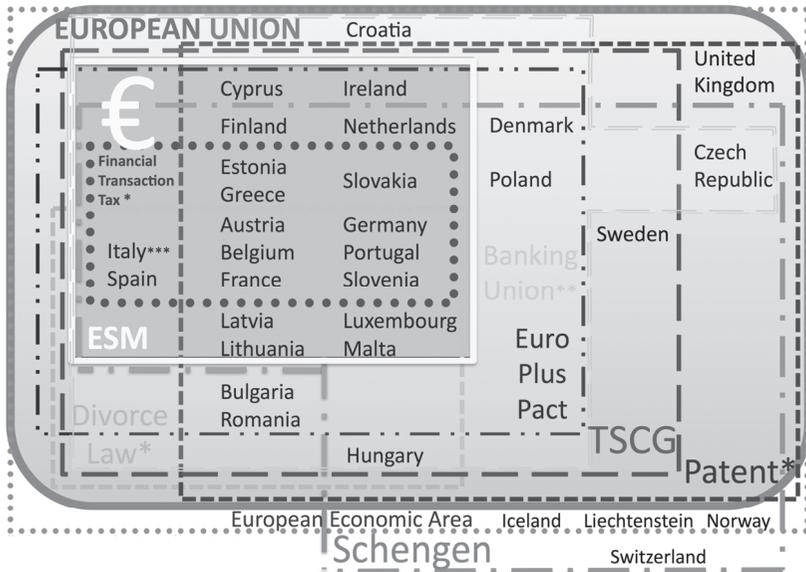
This could be a way forward, as Karl Lamers and Wolfgang Schäuble (2014) put it: ‘In order to make progress (...), we should keep using the approach that proved its mettle back in 1994: to establish cores of cooperation within the EU that enable smaller, willing groups of Member States to forge ahead.’

The EMU is a classic example of a two-speed Europe. The membership of the Eurozone has gradually increased from 11 to 19 Member States. All EU Member States are legally committed to joining, except the UK and Denmark, which have a permanent opt-out. Sweden has a de facto opt-out. It is legally bound to join, but intentionally avoids fulfilling the convergence criteria. Differentiation has taken place within and outside the EU framework. Chapter 4 of the TFEU outlines ‘provisions specific to the Member States whose currency is the Euro’. Article 136 therein explicitly states that they shall adopt measures that ‘strengthen coordination and surveillance of their budgetary discipline’, to set out economic policy guidelines, and to establish a stability mechanism.

That said, Figure 1 clearly shows the increased differentiation process in the EU, like a patchwork of – partly overlapping – processes that involve different sets of countries. During the economic and financial crises, for instance, the Eurozone members have increasingly used informal cooperation platforms and intergovernmental agreements. Many of these measures also include non-Eurozone EU members. A prominent example is the Treaty on Stability, Cooperation and Governance (TSCG) or ‘Fiscal Compact’, which was eventually signed by all EU Member States except for the UK (Koenig 2015, Fabbrini, this volume).

What is more, while EMU is often portrayed as a parallel process that does not affect countries outside the Eurozone, it is not easy to separate out the different circles of integration. This is especially true for those measures that affect the Single Market. More intense integration in some policy areas, for example in terms of taxation, will have an impact on the Single Market, potentially leading to conflict and legal challenges (Zuleeg 2014).

Figure 1 Differentiated integration in Europe in 2015



Source: Kreiling (2015).

Notes:

- * Enhanced cooperation (Article 20 TEU), FIT to launch 1 January 2016;
- ** Contracting parties to the Agreement on the Single Resolution Fund;
- *** Participates in the Unified Patent Court, not in the Unitary Patent.

All this shows that the multi-speed EU has led to a series of ‘clubs’ in need of careful ‘recalibration’ in an attempt to increase the overall coherence of the process. The remainder of this section provides a summary of some proposals launched by experts and policymakers to make progress on diversification/integration processes and, by doing so, to move beyond the current EU crises.

2.2 Different proposals for a reinforced 19-Member EMU

As part of the project to design the next steps of EMU reform, a report was published at the end of June 2015 by five Presidents: European Commission President Jean-Claude Juncker, Donald Tusk (President of the European Council), Jeroen Dijsselbloem (President of the Eurogroup), Mario Draghi (President of the European Central Bank)

and Martin Schulz (President of the European Parliament). The report outlines a plan to deepen EMU and argues that its foundations need to be strengthened. As outlined by Begg (2015), the report focuses on the same heated topics already addressed by the Four Presidents' report of 2012. In some respects, the 2015 report is less ambitious and concentrates on the Banking Union, while the areas of progress envisaged for Fiscal Union are very limited. Furthermore, the reforms proposed by the five Presidents will hardly be acceptable to all the Member States: 'For many national governments, the appetite for yet more change is limited, (...) a number of them (are) reluctant to countenance further extensive reforms' (ibid.: 2). This will lead to a new political game between the Member States and a potential reconfiguration of the Eurozone members.

In the same line, a Franco-German proposal for reinforcing the EMU came from central bankers. In February 2016, Jens Weidmann and François Villeroy de Galhau, Presidents of the *Bundesbank* and of the *Banque de France* respectively, wrote in the German newspaper *Süddeutsche Zeitung* that the new challenges facing Europe require innovative responses. They called for deeper integration of the Eurozone via a 'financing and investing union,' whose goal would be to encourage Europeans to invest savings in the real economy. The German and French central bankers said these projects would require more pooling of sovereignty by EU countries, a more unified European administration and the creation of a finance ministry for the Eurozone. Both central bankers also call for a 'stronger political structure...under the control of the European Parliament' (Goulard 2016)².

A more recent proposal for a reinforced EMU has come from the Italian Minister of the Economy Pier Carlo Padoa-Schioppa. In February 2016, the Italian minister called for a wide-ranging set of measures — including the swift completion of banking union, the establishment of a common Eurozone budget and the launch of a common unemployment insurance scheme — to reinforce the common currency. A central point in the proposal was that EU fiscal policy should answer to the Eurozone Parliament.

2. However, Weidmann toned down his comments about a Eurozone finance minister, stressing in further interviews that the idea was unenforceable.

2.3 Proposal for a more restricted German Eurozone

For other analysts, the tensions within the Eurozone cannot be settled through institutional reforms that aim to keep all the 19 members together while preserving the paradigm behind the Eurozone. It is the logic of the EMU that must change. Consequently, a split of the Eurozone is explicitly proposed. In a recent paper, Lucio Baccaro (2016) has provided a number of reasons for the Eurozone to split. In the view of this Italian sociologist, southern Europe cannot achieve the goal of balanced and enduring economic growth within the current Eurozone. To deal with the structural divergence within the Eurozone, Baccaro envisages two options:

- The first way would be to maintain the Eurozone of 19 countries, with the Southern countries remaining in. This would lead to three possible scenarios: a) a symmetric adjustment, with Germany agreeing to spend more on its welfare state and internal demand and/or contributing to some form of systematic EU automatic stabiliser; b) an a-symmetric adjustment with Southern Europe taking the long path to internal devaluation and structural reforms; c) a muddling-through strategy with marginal adjustments and amendments to the austerity paradigm pending an overall economic recovery.
- The second option would be for the Southern periphery to leave the Eurozone. A coordinated ‘Southern exit’ from the single currency would be based on an extended ERM (European Exchange Rate Mechanism) to ensure that exchange rate fluctuations between the euro and other EU currencies do not disrupt economic stability within the single market³. The official exchange rate between the euro and the country’s currency would be agreed, but the other currencies would then be allowed to fluctuate above or below this central rate. In other words, the ‘exit’ scenario would imply the re-introduction of currency devaluation as an alternative to internal devaluation.

3. For Baccaro, Southern countries should thus follow the Danish example (and that of other countries), i.e. be involved in the Fiscal Compact but outside the Eurozone.

3. Different strategies to address the refugee crisis

As stressed by Hassel and Wagner (this volume), the refugee crisis of 2015 gave rise to very different reactions from the Member States. On the one hand, Germany, in August 2015, took an independent and unilateral decision to suspend the Dublin rules for Syrian refugees and to offer them registration once they reached German soil (but reinstated them in November 2015, except for Greece). On the other hand, some countries, especially in the Central-Eastern part of Europe, decided to re-impose national border controls and temporarily suspend the validity of the previous EU agreements.

The European Commission and the Member States pushed for an effective solution to the emergency situation. In 2015 the European Commission called on EU Member States to accept the mandatory distribution of 160,000 refugees, mainly because the Dublin Regulation is often accused of destroying solidarity between EU countries, and would have to be suspended. Yet a number of EU countries are against mandatory quotas, some of them saying that they cannot host large numbers of refugees. As a gesture to these countries, the Juncker plan foresees a 'temporary solidarity clause' which allows the respective country to pay a sum to the EU budget, instead of receiving its share of refugees.

In December 2015 EU interior ministers discussed the possibility of new border controls between European states for up to two years, as an unprecedented migration crisis is putting strain on the Schengen free-travel zone. In parallel, the Council, under the Luxembourg Presidency, prepared a discussion paper from the Luxembourg government. Its Foreign Affairs minister Jean Asselborn spoke out against expelling Greece or paring back the Schengen area to a hard core of richer states, and proposed four topics for debate: improving communication among Member States, securing the external EU borders, reinforced internal border controls and tighter checks on unregistered migrants (Gotev 2016a).

Germany and seven other countries proposed to re-establish controls in their own territories, thus reducing the Schengen area to a much smaller region. Meanwhile, the Czech Republic, Slovakia, Hungary and Poland rejected the idea of limiting the European Union's visa-free area

to a smaller number of countries, but Hungary asked for Greece to be excluded from the Schengen Area because of its inability to control the external border of the EU. Prime ministers of the ‘Visegrad 4’ group of countries said they agreed to keep the borders open, a key achievement of their post-communist integration into Western Europe. Slovakia, Hungary and the Czech Republic, through which many refugees have travelled to Germany but where very few want to settle, have stood out in their opposition to the EU decision to impose compulsory quotas for redistributing asylum-seekers across the EU, straining relations with their Western partners. This has in turn led some Western politicians to call for cuts in the aid given to these countries under the EU’s development programmes⁴.

At the culmination of the clash between East and West, Hungary decided to hold a referendum on 2 October 2016 on EU plans to relocate migrants in Member States, a scheme fiercely opposed by right-wing Prime Minister Orbán (Ramirez 2016).

4. Is there life after Brexit?

As highlighted by the international press, in the weeks before the UK referendum in June 2016 and especially after the UK voted to leave the EU, there was great confusion and marked differences between the 27 Member States. We briefly summarise some of the proposals put forward in EU circles. Many of these were not really related to Brexit, but used the situation to re-launch the debate on the future form of the EU. These proposals – that recall the hypothesis of differentiated integration mentioned above – have caused clashes between Member States and, within each national government, between ministers of different political orientations (Bershidsky 2015).

A first attempt was a Franco-German social-democratic paper, in favour of preparing a new push for EU political reforms. The idea is to give

4. Some steps to revise and reinforce checks on the flows of refugees and migrants in general have been the creation of the European Border and Coast Guard Agency, the progressive integration of databases such as the Schengen Information System, the Interpol Stolen and Lost Travel Documents Database and relevant national systems, to improve public order and internal security (Gotev 2016a).

some powers back to national capitals in an effort to contain possible contagion of the UK's Brexit vote across Europe (Palmeri 2016). The idea behind the Franco-German initiative is to focus cooperation on areas such as security, foreign policy, border controls, the digital agenda, energy, transportation and Eurozone governance, but shift other decision-making to national capitals.

According to the joint Franco-German position paper quoted in part by the German newspaper *Frankfurter Allgemeine Sonntagszeitung*, the countries are considering involving the European Public Prosecutor's Office at the European Commission in counter-terrorism and in fighting organized crime. The paper also states that France and Germany are working on a European immigration law to facilitate legal immigration into the EU, as a way to better distribute refugees across the EU. They are likely to follow the lead of German Interior Minister Thomas de Maizière, who has pushed for the introduction of an Electronic System for Travel Authorization at external borders.

In line with this first Franco-German attempt, the German foreign minister, Frank-Walter Steinmeier, hosted a meeting (25/06/2016) of his counterparts from the other five founding EU member countries the days after Brexit. The six ministers discussed an initiative to push for a closer political union post-Brexit. In a statement, the six ministers said that they were 'aware that discontent with the functioning of the EU as it is today is manifest in parts of our societies'. They said they took this 'very seriously' and were 'determined to make the EU work better for all our citizens.' In their statement, the founding six ministers mentioned some priorities where the EU should advance faster: 'security of our citizens [...] establishing a stable and cooperative framework to deal with migration and refugee flows [...] boost the European economy [...] convergence of our economies [...] sustainable and job-creating growth [...] completion of the European Monetary Union' (Karnitschnig *et al.* 2016).

The summit of June 2016 between France, Germany and Italy called as well for deeper EU integration in areas of clear common interest. Angela Merkel, François Hollande and Matteo Renzi said the EU should work more intensively in areas such as security, economic union, and social cohesion, but take a back seat on issues that capitals can better handle at home.

Looking beyond the official unity of the EU Member States, we see divisions. The first of these is between Western and Eastern countries. Eastern leaders think that further integration is not the solution (Gotev 2016b). The Polish Prime Minister, while calling for the resignation of the Presidents of the Commission and the Council because of their failure in the UK affair, said the EU should sign a new treaty that returns powers from the European Commission to the Council of the EU (Zalan 2016). The second of such divisions is between countries within the Western camp. Germany wants stronger economic union, while social solidarity and job creation are a priority for southern EU states. And the third is between policymakers with different political affiliations. For instance, the Steinmeier attempt to revive the Franco-German axis is based on common aims of socialists and social-democratic leaders but is viewed with scepticism by Christian Democrats.

5. What do EU members really still have in common?

Increased differentiation is not a panacea. While it could result in some potential progress it also may entail risks. In line with Chopin and Dequesne (2016) we discuss both the benefits and the possible dangers.

With regard to the potential advantages, differentiation enables those states ready to develop a common policy to move ahead, while allowing the other states to look at the results of this experiment and decide to join the other Member States only if the policy produces positive effects, in an upward convergence process. This was the case for monetary policy during the Eurozone crisis. As to the risks, the first of these is an excessive fragmentation of the EU polity and a process of divergence. The multiplication of differentiation mechanisms makes the EU very hard to comprehend, both to its citizens and to its foreign partners. Some Member States might believe that differentiation will damage their interests because they are not taking part. Some countries may feel excluded from an integration process in which they do wish to take part.

Which policy goals to share is a further issue to address. This is the 'policy-based' strategy we refer to in the introduction of this concluding chapter. De Grauwe (2016) outlined the need for a turning point in the EU economic and social paradigm. He claims that in the last few

decades the EU has been a ‘major promoter’ of globalization. The single market and the trade agreements entered into by the European Commission have widely opened up the European gates to global markets. In principle, this has created rosier potential for economic growth. But there has been a complete failure to address the consequences of globalisation by compensating the losers. The European institutions have no power over social policy, but national authorities who are responsible for this policy have been constrained by the EU and its fiscal rules. For De Grauwe, two steps must be agreed upon in order to create a more stable and fair Eurozone and EU in general. The first step is to abandon structural reforms and austerity altogether, at least as a general paradigm applicable to all the Member States. The second step would be to help public investment. This is particularly important in a context marked by low interest rates, making these investments even more profitable for both the present and future generations.

Vivien Schmidt (2016) proposed something similar with regard to the refugee and migrant crisis. The EU should not abandon the ‘free movement’ principle, but should set up new solidarity mechanisms. An ‘EU mobility adjustment fund’ would help to support the costs of social services and the retraining needs of workers in countries with greater migrant inflows. More integration through solidarity would have great advantages, especially if a EU mobility adjustment fund were accompanied by an EU unemployment fund, or even a European fund for refugee support. Different countries would benefit at different times from the funds, which could be triggered when any one country finds itself overburdened by the extra costs it incurs because of the asymmetric functioning of the Single Market and the Single Currency, or because of its openness to refugees. Different funding mechanisms are possible, including from Member State contributions, but the best would be from the monetary gains of the Single Market and Single Currency (ibid.).

But such a policy turn demands a more in-depth analysis of the values and principles underlying the EU. We refer here to the philosophical ideas that provide normative, more general, underpinnings concerning the state of the world. Analysts (see Guerot 2012; Ferrera 2016) emphasise the need to build up a combination of two principles that are necessary in a union of states: reciprocity and solidarity. These two

principles are part of the normative foundations of the EU. For Ferrera (2016), the EU response to the crisis has been too focused on a narrow interpretation of reciprocity: each Member State has to follow the rules and respect the balance between what it gets and what it gives. The problem is that in large communities, such as the EU, the calculation of benefits and costs is particularly complex, if not impossible. This means that mutual recognition of obligations may in fact lead to a spiral of mistrust and confrontation between Member States. Reciprocity must be accompanied and supported by a sense of mutual trust and solidarity.

As stressed by Guerot (2012), trust is crucial: ‘the most automatic sanction cannot replace trust’. Without trust you cannot engage in truly common policies. This means the EU needs ‘confidence-building measures’ between the Member States for the sake of its survival. Along the same lines, Vandenbroucke with Vanhercke (2014) clearly stressed the need for solidarity: European integration must be based on a shared understanding of the need for solidarity at both a pan-European level and within national welfare states. The authors’ definition of the European Social Union – based on the combination of an advanced social policy at the EU and the more intense coordination of national welfare states – is a promising strategy to reinforce a shared sense of protection. The setting up of social policies at the EU level (e.g. pan-European unemployment insurance scheme) and integration of the social dimension into the economic governance (through more effective monitoring of social conditions in the Member States) are just some of the innovative ideas proposed by the two authors.

To sum up, Europe needs to rediscover the common values at the core of its integration and effective strategies to implement them; otherwise its compulsive focus on rules and numbers will feed distrust and conflicts. A more diversified EU must in any case strengthen its normative foundations and make solidarity an explicit aim and principle. In such a context, a true European Social Union is a necessity to stabilise the EMU and reinforce its future sustainability. This will require Member States and EU institutions alike to tackle difficult issues in a brave and determined way: policymakers, *take the bull by the horns!*

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