

Summary: Global challenges are pushing the EU toward an unavoidable dilemma. The EU ought to expand to include new countries and reach a critical size that will let it weather the 21st century. However, the EU has to also be a stronger, more unified political system whose functional feasibility depends on a limited number of countries in advanced economic and monetary convergence. The vicious circle of “a globally competitive, wider Europe” versus an “institutionally efficient deeper eurozone, with a limited number of countries” can only be broken by an innovative institutional engineering in adopting a progressive approach.

Avoiding a Shrinking EU in an Expanding Planet: A Turkish Contribution to the Debate on Europe’s Future

by Dr. Bahadır Kaleağası

Introduction

The effects of the global challenges defining Europe’s future are expanding exponentially. Asia’s reemergence is now an ever-sophisticated process and not a mere economic growth story. The aging European demography is correlated with a wide range of policy issues from the competitiveness of the European single market to the viability of the social security system. In the age of the information society, the race for new technologies in telecommunications, satellites, biotechnologies, artificial intelligence, nanotechnology, and green energy is probably the key factor shaping the 21st century. Freely circulating viruses of all kinds — biological, digital, carbonic, and terrorist — are worrying. The rule of law and liberties are not yet fully solid achievements of the human civilization’s laboratory of democracy.

Meanwhile the euro crisis continues. It is not exactly a classic monetary crisis, not the kind where the euro is losing value and causing markets to collapse. Aside from some countries’ shockingly weak economic discipline, the fundamental crisis is actually one of governance. From the epicenter of this crisis, waves of uncertainty have

been spreading to financial markets for the past five years.

Beyond the long list of tasks to better tackle with so many fields of action, these global challenges push the EU toward an unavoidable dilemma. The EU ought to expand to include new countries and reach a critical size that will let it weather the 21st century. However, the EU has to also be a stronger, more unified political system whose functional feasibility depends on a limited number of countries in advanced economic and monetary convergence. Enlargement versus deepening, an old dilemma coming back with stronger pressure. The vicious circle of “a globally competitive, wider Europe” versus an “institutionally efficient deeper eurozone, with a limited number of countries” can only be broken by an innovative institutional engineering in adopting a progressive approach.

Europe’s Plan X

An important factor in any successful enlargement of the EU is the EU itself. The future evolution of the EU as a political actor on the world scene will naturally determine the extension of its power through enlargement. Unlike the popular perception in many EU societies, especially

Policy Brief

those that received immigrant workers some generations ago, new members to the EU will not necessarily mean parties in an already crowded space. Enlargement is literally widening the European geography of democracy, law, values, economic interests, and security. This happens only when a candidate country is ready to assume the rights and obligations of membership, and only when problems that may provoke fears on the part of European citizens are already solved through the now well-disciplined accession process dictated by the European Commission, supervised by the European Parliament, and governed by the member states.

At the point when a candidate country is ready for full-membership and it becomes certain that that enlargement will be beneficial for Europe and its citizens, the question turns to the EU's readiness. Will the EU be still attractive for a candidate country to join? Europe has a great chance to demonstrate once more its capacity to come back to business with enhanced institutions and soft power tools. Four major scenarios, or narrative concepts, can mark the present analysis.

Will the EU be still attractive for a candidate country to join?

Europa Mercātus

The single market, together with regional peace and stability, has been the greatest achievement of the European integration process. Notwithstanding the eurozone's management troubles, in many fields with direct relevance to the citizens' daily life and the economy, major decisions are taken at the EU level: competition rules, social policies, consumer protection, environmental standards, food safety, and regional development. This is world's largest economy with a GDP of €12.6 trillion, a half billion people, and 20 percent of the global trade. Yet the single market is far from an accomplished task. Despite 6 million people working abroad in another member country and 2.5 million Erasmus exchange students so far, internal mobility is not yet a parameter of a social cohesion among different nations.

On a more technical level, the principle of mutual recognition (when a product is sold legally in one European

country, it should be likewise allowed in other markets) is well established, but national technical regulations and certifications may have the effect of excluding new products from the EU market and limiting the free movement of goods. Even more than manufactured goods, services are crucial for further growth, job creation, and innovation. In 2011, nine out of ten new jobs were created in Europe's service sectors. However, the European services market remains fragmented. The European services directive is not well implemented, national rules and procedures are burdensome, and an effective recognition of national professional qualifications and stringent rules for regulated professions require more efforts by the member states. The free access to public markets, too, is still a challenge. The introduction of e-procurement can improve efficiency, market openness, transparency, and competition, resulting in less public spending.

Moreover, the EU could gain 4 percent of GDP by creating a true single digital market by 2020. This corresponds to a gain of €500 billion and means that the digital single market alone could have an impact similar to the 1992 single market program. But significant efforts need to be made to unleash the digital single market's great potential. While e-commerce is rapidly taking off at national levels, its cross-border development is lagging far behind.

Europa Nostrum

There is no doubt that, from the beginning, the founding fathers' vision was that of a federal political union. The functionalist approach was adopted to pave the way toward a political union, through the successful steps of the coal and steel community, the common market, the social area, and the monetary union. For a long time, the parallel processes of deepening and widening of the European project were coupled to create the dynamics that enhance and justify each other. Nevertheless, the federalist vision has also developed an instinct of preserving the coherence of the existing Union, which could have otherwise been diluted by including too many new member states.

As a leading founding father of second generation, Jacques Delors, proposed an answer to the end of cold war in 1989 in the rapid creation of a federal union as the core of the wider Europe defined as "common European home" by the last Soviet leader, Mikhail Gorbachov. This federal Europe's basic design would correspond to a strong common body of supranational institutions armed with federal powers

Policy Brief

to govern the European economy, internal security, and foreign policy. Western European countries moved quite rapidly to negotiate a new “European architecture,” in 1992 signing the Treaty of Maastricht, which had deviated from the original idea of a federal Europe to an institutional design of a Greek temple with an economic and monetary pillar, enhancing the single market and opening the way toward the single currency, and two other pillars internal affairs and external relations based on inter-governmental procedures. The European Union was introduced to be the roof on the top of these pillars. The EU’s federal characteristics have been reinforced since then thanks to a set of reforming treaties and despite the failed attempt at a European Constitution. But the basic ideas for a smaller and more coherent political union are still pertinent: more powers to the European Parliament, less recourse to the rule of unanimity in voting at the Council of Ministers, transforming the Council to a kind of senate of states, a second chamber of the Parliament, redesigning the Commission as a real executive power, and more.

Meanwhile, a large number of member states, having already reached an agreement for a “fiscal pact,” are contemplating a stronger Brussels to supervise and lead the macro-economic policies, banking system, and international representation. The future of the EU is linked to the success of the euro. The fact that the pressure cooker of the sovereign debt crisis has crippled the eurozone provides a unique chance to push for a deeper fiscal and political union.

Europa Progressio

The idea of a European federal model is well propelled by the 21st century’s international pressures on Europe’s economic interests, which need to be defended by a stronger political identity. Some pressures are also translated to challenges, which warn Europe against the risk of shrinking while the global context is widening in every sense. Consequently, Europe should enlarge toward new countries to enhance its demography, single market, economic competitiveness, and security. However, the experience of the last few decades demonstrate that with so many member states as stakeholders in the arena of European policymaking, decisions to launch a comprehensive federal union cannot even be on the agenda. Both the quantity and the quality matter. Some countries are not willing to be part of a deeper monetary and political union. Others are not ready for it. Moreover, the EU itself is not

The fact that the pressure cooker of the sovereign debt crisis has crippled the eurozone provides a unique chance to push for a deeper fiscal and political union.

yet a mature enough structure to function swiftly with more than 25 members.

This vicious circle can only be broken by innovative institutional engineering with a progressive approach. A legal instrument exists already in the present governing treaties: enhanced cooperation (art.20). Those member states that are willing and able to go further in a field of integration should be allowed to do it without the others. A Europe of variable geometry is emerging on the basis of an already existing reality of eurozone, Schengen area, defense cooperation, and social policy opt-outs. This is a Europe of differentiated integration as already endorsed by several European leaders and opinion leaders. This is also what many others, led by the British government, describe as two-speed Europe.

This scenario that can combine both Europa Mercātus and Europa Nostrum may be great success if it is orchestrated to avoid a Europe a la carte. On one hand, the actual EU of 28, and soon 35, countries must be integrated in an enhanced single market supported by strong institutions, cooperation programs, social development targets, and trans-European infrastructures of transport, telecommunications, and energy. This would be the wide EU within which a smaller group of states may create a more federal “Euro core.” The enlargement would also be easier for national political public debate since it would be more courageous to argue for new membership, therefore for “enlargement of Europe’s powers,” in the face of the global challenges, while well emphasizing that the core Europe, Europa Nostrum, is not affected by this development.

Europa Et Cetera

This scenario is business as usual, a Europe that evolves without deepening, nor enlarging, which is permanently struggling to renovate its anachronistic system with small

Policy Brief

retouches, and inconsequentially trying to generate confidence for its citizens and international partners. This is a Europe slowly fading away. It would certainly be a catastrophic scenario, not only for Europe but for all the world economy and the history of democracy.

There are certainly many other factors to be considered for deeper analysis, but there is no time to lose in acting for a better Europe. More innovative policies and political wisdom are urgently needed. One of the points of action may be to restart discussions on Turkey's future in Europe. The EU's diminishing influence on Turkey's domestic agenda is a perfect loose-loose formula for both sides. A third loser would be the prospect for more democracy and a stronger global economy. Europe as the "sick man of the world" would cause a global epidemic. The European integration's progress is the remedy. Europa progressio!

About the Author

Dr. Bahadır Kaleağası is the President of the Bosphorus Institute and International Coordinator of TUSIAD.

About GMF

The German Marshall Fund of the United States (GMF) strengthens transatlantic cooperation on regional, national, and global challenges and opportunities in the spirit of the Marshall Plan. GMF does this by supporting individuals and institutions working in the transatlantic sphere, by convening leaders and members of the policy and business communities, by contributing research and analysis on transatlantic topics, and by providing exchange opportunities to foster renewed commitment to the transatlantic relationship. In addition, GMF supports a number of initiatives to strengthen democracies. Founded in 1972 as a non-partisan, non-profit organization through a gift from Germany as a permanent memorial to Marshall Plan assistance, GMF maintains a strong presence on both sides of the Atlantic. In addition to its headquarters in Washington, DC, GMF has offices in Berlin, Paris, Brussels, Belgrade, Ankara, Bucharest, Warsaw, and Tunis. GMF also has smaller representations in Bratislava, Turin, and Stockholm.