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The Evolving Architecture of Europe: Functioning or dysfunctional for the 21st century



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Outline

- Context of EU's current position
- Evolution of the EU's architecture
- Institutional framework of architecture/model
- Does the 'model' suit countries outside the EU?
And even some inside?
- The EU 'model' – Has it become dysfunctional?
- Conclusions and remaining issues



Context of EU's position

- Growth is important for stability
- Convergence is even more important for the EU 'model'

- The European 'model' – in crisis
 - Small budget relative to scope
 - Doing too much anyway?
 - Important policies like Schengen and the euro adopted too soon?
 - Diverse Neighbourhood problems
 - Weakening of security position and of the Western alliance
 - Brexit: a mild symptom of crisis? More serious ones to come?



Evolution of EU's architecture/'model'

- Deepening
 - Ever Closer Union
 - Increased competences
- Widening
 - The Copenhagen criteria (1993)
 - Successive enlargements: 1990, 1995, 2004, 2007, 2013
- Recent enlargements difficult tests for 'model'
 - Much poorer countries in contrast to existing members
 - With large contrasts in institutional, market and policy development both to existing members and to each other
 - Raising questions in hindsight as to whether the model should have also evolved differently to cope



Institutional framework of EU 'model'

- The *acquis*, 35 chapters
- Four Freedoms:
 - Capital, labour, goods, services
- 6 basic institutions, including the Commission
- The development of the Euro and Eurozone
 - 19 of 26 states in Eurozone (2 have opt-outs)
 - Weak convergence criteria & even weaker implementation
 - Limited powers of ECB
 - Unusual (and unworkable?) lack of provision for fiscal transfers



The EU 'model' in the world

- Various trade agreements & substantial aid
 - Complexity of trade agreements
 - Poor focus and quality of aid to ACP countries
- Spreading of values and core principles
 - Compulsory for candidate countries
 - Key factor in agreements with neighbourhood
 - Yet how relevant are they to state building and economic development?
- Weak and ineffective on the wider stage
 - Russia, Ukraine, Middle East, Syria etc.
 - Reflects longstanding inability to respond effectively



Some results

- Financial crisis has stopped growth and convergence and resulted in stagnation
 - The *acquis* does not guarantee growth & may inhibit it for some
 - Other factors such as culture, institutions, investment, flexible policy response also matter.
- Crisis management poor, especially for periphery
 - Response both weak and far too slow
 - Forced austerity, growing debts & unequal burden sharing not sustainable
- EU's poor performance and lack of economic management distracts from crucial geopolitical issues.



Dysfunctional EU 'model'

- Model exposed by financial crisis, as Europe risks slipping in world order
 - Democratic deficit
 - Economic stagnation and unemployment
 - Low innovation despite Lisbon process
 - Conflict between widening and deepening
 - Four Freedoms as 'sacred cow'
 - EU significantly weakened internally & externally



Dysfunctional EU 'model' (2)

- EU divisions: many axes and dimensions
 - North-South, East-West, Core-Periphery, High income-Catch up, Federalist-liberal trade area
 - The British problem
- The rise of populism in various countries
- Poor handling of 21st century problems with potentially disastrous results
 - Russia/Ukraine/Syria
 - Migration: refugees and economic migrants



UK exit – Changing the model?

- British exceptionalism:
 - UK always different and anti-federalist
 - 20 years of greater economic success, more jobs, less unemployment
 - Hugely attractive for migrants
- But is British exceptionalism unique?
 - Various EU axes (East-West, Core-Periphery etc.) potentially far more disruptive
- Does the EU need to reform radically to survive?
 - Business as usual not an option because of 2020 budget fall
 - Attempting to punish the UK - a head in the sand approach?
 - More EU – an elite fantasy in current circumstances?
 - Less and more flexible EU – a path to survival?



Conclusions and further issues

- Economic models and political context
 - New, more flexible economic models
 - Reform the key institutions
- Fundamental long term changes in model?
 - Make fit for purpose for 21st century
 - Economic models focused on state building, liberal trade regime, sustainable growth and convergence
 - Political model to celebrate diversity, not impose uniformity and centralisation
 - More selective, flexible and effective modes of engagement with neighbourhood & wider world.



Thank you

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