POLICYBRIEF
ISSUE 3 | SEPTEMBER 2018

ONE SIZE DOES NOT FIT ALL: EUROPEAN INTEGRATION BY DIFFERENTIATION

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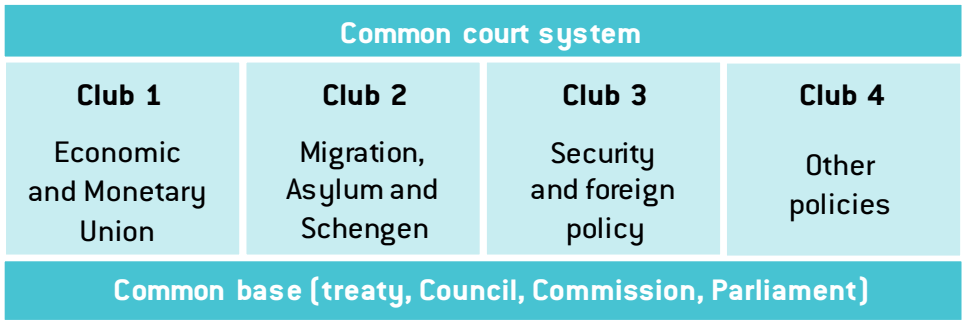
A BARE-BONES PLUS CLUBS EUROPE



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THE ISSUE

Reforming the governance of the European Union has become urgent for three reasons: to better deal with politically-sensitive topics, to manage greater external challenges and because future EU enlargement will increase the diversity of the bloc's membership. The answer to disagreement typically has been qualified majority voting, but on sensitive topics, the EU has increasingly moved to unanimity and heavy European Council involvement, which has often not delivered results. The alternative answer has been a Europe of multiple speeds of integration with one shared goal for all, increasing political tensions. A different approach is now needed to move Europe forward.

POLICY CHALLENGE

Two options would be a Europe of concentric circles and a Europe of 'clubs', but the former would cement tensions between the inner and the outer circles, while the latter would lead to unclear structures and an end to cohesion. However, a governance model could combine the two approaches. The model would be based on a strong 'bare-bones EU' formed by the single market, trade and accompanying policies, the European institutions, treaties, rule of law and a commitment to fundamental EU values. Three policy areas would be completely moved into 'clubs' while remaining based on the bare-bones legal and institutional structure: economic and monetary union; Schengen and asylum policy; and foreign and security policy and neighbourhood policy. Club membership would be optional but once in, countries would have to accept the rules and there would be high hurdles to leaving. Finally, a ring of friends would surround the bare-bones EU, based on very close economic relationships and some multilateral discussion elements, but no formal votes.

1 INTRODUCTION

The strong global anchor of which the European Union has been part since its inception – rules-based multilateralism – is unravelling. A multipolar regime is emerging faster than anybody anticipated. Will it be an international order? Will it have rules, and if so who will write them? Because of its size, Europe is bound to be one of its poles, but will Europe be strong enough to shape its own future or will its future be determined by others? In other words, will the EU be a sovereign player commensurate with its size? These are questions Europe must urgently answer.

As if these global questions were not hard enough, they arise at a time when the EU is having doubts about its own future. This is not just because of Brexit. Strong political forces in other member states, including the six original members, are questioning the direction, even the principle of European integration. Some basic tenets of EU treaties no longer command consensus. Internal unravelling has become a real threat.

At one level this coexistence of external and internal questioning is paradoxical, because a strong, united European stance is even more required in a world in which global rules and institutions threaten to fall apart. But at another level, it is logical: sovereignty starts at home, and the same isolationist forces that undermine the global multilateral order undermine the European multilateral order. This is the tension the EU must solve. If it fails, it could lose its raison d'être. If it succeeds, it could find a new purpose.

The issue of EU heterogeneity is not new. In their contribution to the 'Monitoring European Integration' series, Dewatripont *et al* (1995) discussed exactly this problem. Similarly, the European Commission's March 2017 white paper on the future of Europe[1] offered different scenarios, motivated by the inability to establish consensus. But we emphasise the urgency of the issue and how, in a dangerous global environment, Europe's ability to remain in charge of its destiny might be compromised by a failure to manage these issues effectively. This has made it more urgent to reform the EU to meet the challenges of tomorrow. Ad-hoc solutions to the challenge of heterogeneity do not appear to be enough, especially in a context of enlargement and deeper internal divisions.

2 THE LEGACY

Since the outset, the EU was conceived and designed as a single undertaking in which all member countries would eventually participate in full in all policies, though in some cases after a transition period. Accordingly, the *acquis* was regarded as indivisible and participation in it was considered irreversible. For decades, indivisibility and irreversibility provided extremely powerful lock-in mechanisms.

Now, and as the EU has increased its membership, this unitary model is being questioned by increasingly deep divisions over the aims of European integration.

The unitary model is also brought into question by the stalemate in the accession process. Some current members have no appetite for enlarging the EU to countries where the economic and institutional level is such that their participation in the EU could hamper deep integration and the strengthening of the common regulatory framework, could be the source of significant labour migration and could further dilute the incumbents' institutional power within the EU. The result is that, without an alternative multilateral framework for integration, these weak countries are left in a limbo. This is detrimental to their development and their stability. Some might even turn their backs on the EU and look for alternative alliances. The traditional answer to such challenges has been two-fold: multi-speed integration and majority rule.

1. See: https://ec.europa.eu/commission/white-paper-future-europe-reflections-and-scenarios-eu27_en.

2.1 MULTI-SPEED INTEGRATION

First, it has been to stay the course but buy time: to continue to call for an ever closer and ever wider union, in which all members eventually transfer sovereignty to a federal level, while envisaging long transition periods with the possibility for member states and applicants to proceed at different speeds, depending on their preferences and readiness.

The strategy followed for currency unification epitomises this multi-speed approach – while also illustrating that it has reached its limits. Twenty years after it was launched in 1999, two of the then-15 EU members are still not part of the euro (excluding the UK). Clearly, this reflects some loosening of the indivisibility principle on the part of the EU. Although all member countries were nominally committed to joining the euro, some (Denmark and the UK) benefitted from a formal derogation. And as membership was based on objective criteria some (Sweden) were able to abstain from participating in the common currency by not fulfilling one requirement. Some members have also obtained opt-outs from justice cooperation and other areas.

Such management by exception is not sufficient anymore, because the European Union has become much more diverse than it was in 1999. Enlargement has contributed to this evolution. Moreover, as security has become more relevant, rifts have emerged because member states do not necessarily have the same perceptions of threats, do not devote the same resources to defence and security, and do not view the use of military force the same way. Finally, migration from third countries and the different political approaches to address the asylum and refugee issue have further exposed the depth of differences.

Such diversity has contributed to a growing mistrust between member states and in the European institutions. This in turn has made the goal of an ever-closer, federal union look more distant than ever. The vision of the unitary structure of the EU in which all 27 members and half a dozen would-be members converge on the same goal is at odds with the large and increasing divergence of political pathways. The set of overlapping policy preferences has shrunk, followed inevitably by stasis and ineffectiveness.

2.2 MAJORITY RULE

This brings us to the second answer to the challenge of diversity. Historically, a way to deal with the stasis resulting from narrow overlapping policy preferences in the areas where the EU has been bestowed with policy competence has been voting by majority in the Council. This has been, for example, the basis for the common trade policy (a field in which diversity was strong) and for the spectacular success of the internal market. Those outvoted would accept the majority decision; but the winners also knew that they could be outvoted in a coming decision.

For decades, this approach has worked well for the mainly economic issues of market integration. There was a strong enough consensus on what the fundamental goal was for all to abide by the decisions taken. But we are now forced to deal with policy areas and priorities far removed from the mere economic sphere. Many of the present policy challenges are in areas that touch on questions of constitutional rules and prerogatives, national sovereignty or national identity. This makes it nearly impossible to find solutions among 27 member countries all resenting being outvoted or left out. Moreover, regular democratic procedures tend to be substituted by intergovernmental negotiations.

2.3 INCREASING INEFFECTIVENESS

The limits to the traditional ways of overcoming obstacles are apparent in four major fields in which the EU has been confronted by the challenge of heterogeneity: asylum, the euro, foreign and security policy, and external economic relations:

- In terms of *migration policy*, a majority decision was taken on the

distribution of refugees between the 28 EU countries, but despite the EU Court of Justice judging it to be in line with EU law, is the decision has not been fully implemented[2]. Aiming to overcome the stalemate, the European Council has taken the lead on the migration issue with a very substantial amount of time of its discussion time devoted to the topic in recent years. But the resulting compromises remain ineffective and institutionally fuzzy.[3]

- *The euro* presents a challenge of a different nature. The problem with it arises at its core from the fact that monetary policy is centralised while fiscal policy is decided at national level. And while national decisions are loosely coordinated, the constraints imposed by monetary union are resented. This overlap between EU and national competence opens the way to conflicts over the direction of policy.
  The governance of this incomplete monetary union has evolved considerably since the crisis, with various institutions gaining and losing importance. It is fair to describe the new system as increasingly strengthening intergovernmental institutions, such as the European Stability Mechanism. Still, this trend is not uniform across policy areas. As a consequence, the overall governance picture has become extremely complex and the euro area's institutional and democratic foundations remain weak. There are also a number of friction points between euro area and non-euro area EU countries.
- EU member states have committed themselves to a common *foreign and security policy*, coordinated and chaired by the High Representative, supported by the European External Action Service[4]. But despite this, key foreign and security policies continue to be driven by member states acting either separately or through coalitions of the willing[5]. Meanwhile, neighbourhood policy is not considered a foreign policy issue and institutional responsibility for it lies with the European Commission. This state of affairs is suboptimal because unilateral member state decisions can impact all and Europe's hand externally is weak. This is why Chancellor Merkel has voiced the idea of creating a European Security Council[6] that would drive the big strategic foreign policy choices[7]
- Finally, while in *external economic relations* (financial stability, exchange-rate policy, trade policy, international regulatory coordination and the extraterritorial aspects of competition policy) the EU does have a functioning decision-making system and is able to make its weight felt, its policy scope is incomplete. It does not cover instruments to deal with investments in security-relevant infrastructures or sectors, and it does not have a functional framework for cybersecurity issues. Nor does the EU have effective mechanisms to deal with industrial policy strategies and fiscal policy instruments to react to external trade and technology challenges. Moreover, the EU's strength in economic relations is clearly hampered by its weakness in foreign and security policy.

In our view, the EU has reached the limits of what it can sensibly achieve within the framework of the current treaty order. The assumption that an ever-closer-union of 27, or more, member states will all reach the same final goal has, in itself, become a cause of ineffectiveness. A new structure is necessary for Europe to prevent internal stalemate and articulate its political will effectively at global level.

On one hand, heterogeneity needs to be dealt with by accepting and reflecting it in the institutional structure, not by trying to outvote or outsmart member states. On the other hand, this requires member states to make tough choices and accept certain responsibilities. Participating in endeavours such as Schengen or

2. Despite the fact that the Treaty commits all member states to a common asylum policy, Hungarian Prime Minister Viktor Orbán has claimed there cannot be compromise in the migrant debate because "There is no document that we are aware of which states that if you enter the European Union you must become an immigrant country", a view which is clearly shared by other leaders in Europe. See Orbán (2018).
3. It remains unclear who is in charge of negotiating with third countries on behalf of the EU. Meanwhile the relationship between national and European institutions that deal with migrants is in constant flux. Importantly, the very principle of a common asylum policy is rejected by some.
4. Institutionally, the EEAS and the High Representative are attached to both the European Commission and the Council.
5. For example, the war in Libya – despite its massive effects on all members of the EU – was mostly driven by the actions of two EU member states.
6. See for example: https://www.euractiv.com/section/defence-and-security/news/germany-ready-to-take-more-responsibility-in-european-defence-policy-says-merkel/.
7. Perthes (2018) even goes as far as to say that the EU mechanisms are largely pointless and the big three countries should cooperate instead.

the euro comes with the assumption of responsibility and shared sovereignty, including the possibility of being outvoted. The core of the EU institutional debate should reflect exactly this tension between adapting institutions to deal with heterogeneity and ensuring that member states live up to their obligations and accept the inevitable transfer of sovereignty.

3 TOWARDS AN ALTERNATIVE INSTITUTIONAL STRUCTURE

The necessity of a more flexible structure is increasingly recognised, including by heads of state and government such as President Macron of France, who has called for a *"Europe of several circles"* (Macron, 2018). What institutional structures are necessary for Europe to deal with global challenges in an efficient and politically legitimate way? Any strategy for the future should start from clear answers to three basic questions:

- *Is the acquis divisible?* Although the response so far has been that it is not, in a culturally and politically varied Europe there is in fact no fundamental reason why the EU should uphold the indivisibility principle. Naturally, there are significant complementarities across policies that must be preserved – for example, between integration within the single market, competition, consumer protection and core social principles. But not all policy spheres are as tightly linked to each other. It is for example perfectly imaginable to have a common trade policy but separate asylum policies.
- *What are the key complementarities between the EU's competences?* In other words, which of the 35 chapters of the acquis can be separated and which cannot? As the EU was conceived as a single undertaking, this has not been written down: the complementarities between its competences have so far not been formalised. But if room is to be made for a more flexible mode of integration, an essential requirement is that spillovers are taken care of. In other words there must be no cherry-picking. The delineation of indivisible complementarities is a prerequisite for more flexible European integration.
- *Can some countries move backwards?* The Brexit referendum has shown that membership of the EU is not irreversible. Negotiations so far have been conducted under the assumption that there is no middle way between being in or out. But if a country can choose to leave, and assuming integration patterns become more flexible, why can it not be allowed to withdraw from certain integration areas, for example, from security cooperation while remaining part of the single market? The lock-in principle that has applied to European integration so far is ill-suited to address the problems that the demand for more national autonomy raises. However, we acknowledge that a system without any lock-in, in which, say, changes in government trigger changes in membership, would be clearly unmanageable and incompatible with European ambitions.

If one accepts that a unitary structure is increasingly impossible to achieve in a diverse European Union that seems set to remain diverse, and is possibly also not desirable, one needs to design appropriate levels of flexibility. In order to design the necessary legal and institutional framework for flexible integration, there is a choice to be made between a *concentric circles model* and a *clubs model*.

3.1 CONCENTRIC CIRCLES

In a model of concentric circles members can choose – from a commonly agreed set of possibilities – the level of integration that corresponds to their wishes at a certain point in time. This may not preclude them from changing their minds, but there is no presump-

tion that all should gradually move towards closer integration. Whereas each level provides a possible stepping stone to supplementary integration, it is designed in such a way that it provides a basis for a self-contained, stable and coherent arrangement. By the same token there could not be a menu of options to match different preferences within a given level of integration. In this model, the inner circle would have the highest level of integration across all policy areas, while the outer circle would have the loosest. And there can be one or several circles between the inner and outer circles.

The great advantage of this model is its legal and institutional simplicity. Importantly, it can preserve institutional unity in full, provided the institution in charge safeguards the rights of the member states not participating in further levels of integration. This is for example what the European Commission attempts to do in relation to non-euro area member states – though not always to their satisfaction.

The downside of the concentric circles model is obviously that it offers only limited, and potentially insufficient, flexibility. In a context in which member states differ in their policy preferences, it might prove too rigid, especially when integration encompasses separate policy areas such as economic, security and migration policy[8].

Moreover, countries in the outer circles might feel dominated by the inner circle without having their say.

3.2 A EUROPE OF CLUBS

A club model would be designed to offer exactly this greater degree of flexibility: it would consist of a limited number of stable, self-contained and coherent arrangements in which member states can participate. But participating countries would be free to choose to take part in certain clubs and disregard some others. A further important difference compared to a concentric circles model would be the absence of a hierarchy of relationship intensity between the different clubs – there is no inner circle of countries that somehow 'owns' the overall project and determines its overall direction.

Institutionally a club model is harder to design and put in place than a concentric circles model, first because it risks inconsistency and cherry-picking, and even more so because it might not be compatible with institutional unity. For example, it is difficult to say who should nominate the commissioners, elect the members of parliament and appoint the judges – or even what the role of the Commission, the European Parliament and CJEU would be – in an EU in which certain members would participate in a euro club, while others would participate in an asylum club. The risk of an arrangement of this sort is that it could inevitably lead to a purely intergovernmental structure, with no role for European institutions. It might also be politically harder to achieve because the overall ownership of the project might be missing.

For a club model to be workable there should therefore at least be a common overall basis on which to build. This basis should entail a common treaty framework that would lay out the essential principles, cover a common set of fundamental policies in which all countries would participate, and provide the common institutional apparatus consisting of an executive, a parliament and a court of justice. There should be no club membership without participation in this common basis.

The Europe of Clubs has advantages in that it provides a higher degree of flexibility to accommodate member states' political preferences. However, it would lead to patchwork of overlapping structures of a rather voluntarist nature, and risk being at the whim of changing political climates. More importantly, it would lack a clear structure that would enable it to engage and negotiate with third countries in a meaningful manner.

8. There is no reason, for example, to consider that all member states participating in a common asylum policy would also participate in the euro – nor vice-versa.

4 A PROPOSAL FOR A HYBRID MODEL

We have considered two models: a Europe of concentric circles and a Europe of clubs.

In what follows we offer a hybrid template that combines elements of these two models in order to overcome their respective weaknesses. Note that we do not here discuss how to manage transition from the current system to a new one. Our aim in what follows is to foster debate. In practice, the starting point must always be the current institutional structure, which is strong and meaningful, but which we also consider too rigid to be sustainable in the long term.

4.1 THE BASE: A BARE-BONES EU

The first step would be to design a basis for cooperation between European countries that is able to include many partners but is comprehensive and involves sufficient commitment to ensure sustainable performance. A bare-bones EU, stripped of the non-essentials of the present union, should provide the basis of European cooperation. It should consist of a set of policies and an institutional system in which all EU members must participate.

The bare-bones EU should be narrower in scope than today's EU. It should be built around the customs union and the single market, together with the set of policies that are indispensable to make them viable.

Policies indispensable to the functioning of the single market should certainly include consumer protection, competition policy, trade policy, sectoral policies with a direct bearing on the functioning of the market for goods and services – such as transport and trans-European networks – and arguably taxation. Regional development should also be included.

Major policies excluded from the common base would be: first, the economic and monetary union and its flanking policies such as banking union and macroeconomic coordination; second, asylum policy, and the Schengen area; third, foreign and security policy and police and judicial cooperation in criminal matters. Disagreements between countries over these three sets of policies typically occur more often than over the single market, and these three sets of policies are not essential to achieve economic integration[9].

We also think that the common base should involve binding commitments to democracy, the rule of law and fundamental rights of the person, the citizen and the worker. The EU was historically created as a political project between countries that shared a common, adversarial history and regarded as essential the promotion of democracy and human rights. Fundamental social rights, such as equality between men and women or the freedom to participate in unions, should also be regarded as part of the basic rights. These values would form the basis of the bare-bones EU.

We consider that such a bare-bones EU would be more inclusive of willing partners in the continent, such as non-EU European Economic Area (EEA) countries. But for countries that do not want to participate in all four freedoms of the single market, especially the free movement of labour, a different partnership structure would need to be created, a sort of outer circle, in order to establish close economic relations but not participation in a political project. We return to this idea below.

4.2 THE TOP UP: CLUBS

For countries that wish to maintain and build a degree of integration beyond bare-bones economic integration, a club approach appears promising. The number of clubs needs to be strictly limited, however, because otherwise the construction would degenerate into a loose arrangement with members picking and choosing the policies that suit them best.

The clubs arrangement would rely on the common substantive, legal and institutional basis provided by

9. Our bare-bones EU is therefore comparable to scenario 1 in the Commission's March 2017 white paper (see footnote 1) or the first pillar of the EU treaties without the economic and monetary union and the asylum and Schengen policies.

the treaty governing the bare-bones EU. Each club would be supported by specific institutions – at minimum, a Council formation based on the membership of the club and some form of secretariat/executive. This secretariat would typically be provided by the Commission and would be complemented by specific institutions/agencies, as is the case for the euro club with the European Central Bank and the European Stability Mechanism (ESM). It could also be supplied by a Council-based body, especially in the case of defence for which participating countries would presumably want to avoid sharing control of decisions with non-participating countries. It would also be necessary, in certain areas, to assign responsibility for oversight and legislation to a sub-chamber of the European Parliament composed of the MEPs from the participating countries.

The unity of the overall architecture would be ensured by the breadth and strength of the legal and institutional basis provided by the bare-bones EU. It would be supported by a common court system that would uphold the consistency of legal decisions taken within the framework of the various clubs. The basis of the bare-bones EU and of the clubs therefore would be the applicability of a single legal system – which is indeed the core of the EU (Hallstein, 1969; Hallstein, 1973). And while there would be institutional continuity for the clubs in terms of the institutional base, they would have different decision-making processes, different executives and different lines of accountability.

In many respects, the club structure would resemble an advanced version of the EU's enhanced cooperation framework. It would differ, however, in terms of scale and in the fact that it would involve defining explicit and not necessarily identical institutional structures for each of the clubs.

The real value added of establishing clubs would be to allow member countries to opt out in cases of big issues for which they might prefer to apply their own policies. This would depressurise the system and allow smoother cooperation in areas where preferences align more closely.

4.3 A CONCRETE SCHEME

We propose an architecture combining the bare-bones EU and four clubs to deal with:

- Economic and Monetary Union consisting of the euro and flanking policies, such as macroeconomic policy coordination and banking union;
- Migration, asylum and Schengen: we regard these policy areas as linked because an area without internal border controls cannot be maintained between countries whose immigration and asylum policies differ markedly;
- Security and foreign policy arrangements;
- All the remaining, current EU policies not covered by the bare-bones set up. These would include policy areas in which today's EU has only supporting or coordinating competences.

Countries will choose to be part of the bare-bones EU alone, or to participate in addition in one or more clubs. However, participation in the bare-bones set-up will not require eventual participation in any of the clubs. Implementing this proposal would ultimately require restructuring the EU treaties to separate out provisions relevant to the bare-bones EU and provisions relevant to the four clubs, and to establish the corresponding institutional architecture.

For clubs to be effective, they will need to have strong and legitimate decision-making structures. The balance between Community and Intergovernmental methods will not need to be the same for all clubs. The Community method is, for example, better suited to governing the euro than to organising security policy

cooperation.

In principle, nevertheless, it would be desirable to rely in all cases on a clear double-hat institutional structure with a Council and a Parliament, in each case formed only by the participating member countries. These would be the co-legislators within the club structure, and they would hold the executive of that club to account. This would be a long-run federal vision – which we realise may raise deep constitutional concerns at the national level.

In the foreseeable future, the clubs would therefore *de facto* be based on different, more intergovernmental and sometimes complex governance structures. Whenever resources from outside the EU budget are required, decision-making processes might still need to rely on unanimity voting in council formation – reflecting the fact that national tax resources are on the line. Only in the longer term could the development of own resources be envisaged.

Also in terms of which executive acts in a particular matter, the different clubs would have different structures. Overall, we would prefer a fairly unitary model with the Commission being by default the executive of the clubs. However, we realise that in the foreseeable future, various agencies might take charge of the execution of the clubs' key policies: for example there would be a common agency for the protection of refugees, or a common agency – the ESM – for financial assistance to euro-area countries. But the most important point is that each club would be based on the same bare-bones EU legal system and would be subject to the same court – as is currently the case for the ESM which, although it is not based on the EU treaties but on a specific treaty, falls under the jurisdiction of the CJEU.

4.4 A WIDER EUROPEAN PARTNERSHIP

How would this structure deal with countries outside the EU? For a start, we believe that the bare-bones EU as we have defined it would have a significantly lower degree of political ambition than the current EU, which is why we could imagine more countries joining. In particular, the non-EU EEA countries would fare better inside the bare-bones EU than outside the current EU since they would essentially remain in the single market but acquire membership of the (bare-bones) EU decision-making process.

The EU also needs to better manage its relationship with other non-EU neighbours, such as Turkey, Switzerland, the Western Balkan countries and the UK. For these countries, the establishment of a structure that replicates some elements of membership might be the right way to form a partnership. Instead of a purely hub-and-spoke structure, as is currently the case with existing agreements, this new arrangement should be given a participative form and a multilateral structure, so that participating countries inside and outside the EU would be involved in policy-shaping processes. However, they should clearly not be allowed to fundamentally interfere with the decision-making process of the bare-bones EU.

We therefore propose, as an outer circle, a European partnership in which far less integration is achieved but that would still involve multilateral features. If and when agreed, the future framework for the relationship between the UK and the EU would provide a natural basis for such a wider partnership, but there are other possible cooperation options for the outer ring of friends.

This partnership would provide a conduit to membership for candidate countries whose level of economic and institutional development makes full participation in the EU questionable. It could also provide a framework for the relationship with Turkey, Ukraine or other regional partners.

4.5 TRANSITING IN AND OUT

Managing this greater flexibility needs to come with clear answers to the following questions:

- **Who decides where each country belongs?** In a permanent regime, deciding which club they wish to belong to would first and foremost be for the countries themselves. However, existing club members would also need to agree who joins. Establishing clear criteria for entry and obligations for new members once they have joined will be crucial. Getting rid of the presumption that all member states are ultimately expected to participate in all integration circles would certainly help to enforce strict decision-making procedures. As far as the bare-bones EU is concerned, the existing conditions (Copenhagen criteria, accession chapters) would apply.
- **Can countries exit a club?** This should be possible, because for as long as nation states exist, an obligation to remain a member is not credible. Moreover, the fear of long-term commitment might deter countries from joining altogether. There should therefore be clearly spelled-out exit procedures that could be activated by a country itself or by its partners in case of lasting infringements of membership obligations. However, the level of institutional commitment that, for example, euro membership requires does not make such reversals operational policy choices. These are decisions countries should make in full knowledge of the need for generational commitments that are not meant to be reversed. Enshrining club membership in national constitutions and requiring that the constitution be changed before a request for exit is made could be a way of ensuring stability.
- **Can a country exit a bare-bones EU?** The Brexit precedent shows that nothing is irreversible. However, the hurdles for undoing membership need to be substantial in order to ensure continuity and avoid capture in political cycles. Nevertheless, establishing clear processes for giving up membership reduces uncertainty and the risk pressure within inflexible systems. Article 50 and the Brexit jurisprudence would apply.

5 CONCLUSIONS

As the world is changing, Europe has to change. It can be a bystander or it can take action. Muddling through will no longer be sufficient. To be effective the EU and Europe more broadly must deal with Europe's issue of heterogeneity in a structural manner. This needs to be done by accepting that not all European countries wish to share all areas of integration that some see as desirable, or even necessary. The counterpart to this institutional flexibility should be an acceptance by those members that do participate that being in a club comes with responsibilities, not only rights.

A bare-bones EU coupled with a Europe of clubs would offer in our view scope for broad membership without stalling the process of integration for those that wish to pursue it. The bare-bones EU would need to include the rule of law and a commitment to common values. In the economic field it would encompass the single market and the necessary complementary policies, including a single trade and investment policy. The bare-bones EU would be surrounded by a *"ring of friends"* (Prodi, 2002) with significantly less integration but still meaningful economic relations and a framework for multilateral dialogue.

The clubs, in turn, would entail constitutionally binding commitments by their members to share sovereignty in areas that are politically more sensitive, such as the euro, asylum policy and security and foreign policy. Participation in clubs would be voluntary, but movement in and out of clubs would face high barriers.

Such a scheme would remove the all-or-nothing approach to European integration, which does not match all countries' wishes and on which progress has stopped. We believe that it would also be an effective way of reinforcing democracy. In the current system, the resistance of some member states often leads to an increased reliance on negotiations within the European Council and the increased predominance of the unanimity rule. Greater internal effectiveness would also make the bare-bones EU coupled with a Europe of clubs more effective externally, but only if its external representation is upgraded and adapted to the new structure.

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