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Making Flexible Europe Work?

European Governance
and the Potential of Differentiated Cooperation

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Introduction

The concept of differentiated integration in the EU is not novel. Accommodating the different socio-economic and political interests of Member States in EU law and policy has been integral to European integration beginning with the foundation of the union itself. Since the 'big bang' enlargement of 2004, the debate, however, has become especially animated, with the EU forced to reconcile the varying levels of ambition present within an ever larger and less homogeneous EU. This situation has been further exacerbated by a post-Brexit EU that is now coming into shape.

In light of the fact that there are no clear answers with regard to the effects of differentiated integration on the EU as a whole – i.e. whether it is creating fresh impetus for further deepening or steering the union towards a permanent core-periphery structure – this project was devised with the purpose of examining the future shape and trajectory of the EU. Our aim is to develop a constructive agenda that reflects the interests of Europe as a whole, with an emphasis, nevertheless, on Central and Eastern Europe (CEE), a region that is often overlooked in analyses.

The goal of the report is to determine whether, how much and where differentiation is necessary, sustainable and viable as well as how future approaches towards differentiation could fare in light of these findings. Further aims include presenting different potential scenarios that could transpire within core policy areas and delivering tailored recommendations for policy makers on how European cooperation could be pursued through differentiated integration.

The report consists of four parts. The first section explores the general attitudes of different Member States towards differentiated integration and how the concrete categories and mechanisms under this umbrella are being employed by Member States.

In the second section, we analyse how differentiated cooperation has evolved in four key policy areas: Economic cooperation, the Schengen Area, the Common Security and Defence Policy, and the Common Foreign and Neighbourhood Policy.

The third section consists of recommendations to policy makers on flexible cooperation in the EU. These recommendations heed not only the insights from this report but also reflect policy papers and discussions with researchers, public administrators, civil society representatives and the general public conducted between 2018 and 2020 within the framework of the GLOBSEC DIFF GOV project **“European Governance: Potential of Differentiated Cooperation”** with the support of the Erasmus+ Programme of the European Union, namely Jean Monnet Activities.

A final section presents the country analyses prepared by EU experts from all - one per country - Member States. The expert group was comprised of representatives from think tanks, academia and civil society organizations who shared their views on their respective countries' attitude towards multi-speed cooperation in the EU. The expert poll was conducted 16 February 2020 - 16 April 2020. Questions posed to respondents included: what vision does your country have when it comes to the potential of flexible modes of cooperation in the EU?; do you agree that for Europe to be powerful, it has to become flexible and, therefore (if necessary), move at different speeds and different levels?; and how much and where is differentiation necessary, sustainable and acceptable and in which policy areas?

The publication consists of three parts. The first part explores possible scenarios of future European integration. The second part presents the GLOBSEC expert poll from all 27 Member States scrutinising the countries' attitude towards such a cooperative model. The final part consists of tailored recommendations for policy makers.

1.

Executive Summary

2. Differentiated Cooperation in Practice

3. Differentiated Cooperation in Four Policy Areas

4. Policy Recommendations

5. Country Scorecards

Differentiated cooperation has steadily evolved to the point where it now appears to be the new normal in Europe. According to the latest GLOBSEC expert poll, national policymakers across the EU are no longer debating whether their respective countries are proponents of flexible modes of cooperation but rather how they can play an influential and constructive role in an EU of different speeds. A vigorous discussion is also transpiring on how the various speeds and levels can best be managed to maintain EU cohesion.

The question on whether, how much and where differentiation is necessary, sustainable and viable is, no doubt, political and connected to the European project as a whole. It is contingent, furthermore, on whether Member States are willing to pool sovereignty and trust each other enough to delegate additional competences to supranational bodies like the European Commission. The decisions of Member States to participate in different initiatives indeed tend to be based on two conditions: can it be justified in the national interest and is freedom provided to make decisions on a case by case basis?

Among existing categories and mechanisms of differentiated cooperation included in the Treaty on the Functioning of the European Union, the most popular formats are Permanent Structured Cooperation in Defence and Security Policy (PESCO) and the European Unitary Patent (25 participating countries in each). They are followed by the Schengen zone and the European Public Prosecutor's Office (EPPO) which attract 22 Member States each. The eurozone (19 Member States), Property Regimes Rules for International Couples (18 Member States) and Divorce Law (17 Member States) follow them.

The EU Member States that have proven most open to the different flexible modes of cooperation on offer include: Austria, Belgium, France, Germany, Italy, Portugal and Slovenia. Estonia and Spain are also active participants. Conversely, the group of least engaged Member States include Croatia, Denmark, Ireland and Poland. When it comes to Central and Eastern Europe, Slovenia and Estonia are most

engaged, Croatia and Poland the least.

There is no clear answer on whether differentiated cooperation is a panacea or poison. For some EU Member States, it is a vehicle for overcoming deadlock, with integration among some countries preferred over the alternative standstill for all. They argue that differentiated cooperation isn't breaking the EU but rather enabling it to survive. There is a group of Member States, on the other hand, that claim that differentiated cooperation threatens to deepen already apparent divides (East/West or euro/non-eurozone Member States) and eventually may lead to the disintegration of the EU (Brexit being only the beginning of the process). Despite these divergent views, Member States will be faced with reconciling how to preserve the EU's unity and at the same time allowing Member States who want to do more (i.e. through flexible modes of cooperation), to do more.


Taking note of the fact that the future direction of differentiated cooperation is currently in progress and that contradictory opinions on its advantages and disadvantages exist, different scenarios were prepared for four policy areas (more details are provided in the chapters devoted to the respective policy areas).



“Based on the publication, the majority of the EU Member States have indicated an openness towards differentiated cooperation if it can help fulfil national interests and provide freedom to participate in specific initiatives on a case by case basis.”

“A vigorous discussion is also transpiring on how the various speeds and levels can best be managed to maintain EU cohesion.”

Possible scenarios for policy areas

Policy area			
The Eurozone	Collapse of the euro	As is, differentiated governance but elevated	All EU members part of the eurozone
The Schengen Area	Demise of borderless space (Break-up scenario)	A Schengen in its current configuration; a smaller Schengen or Schengens	Further integration: federalisation or at least incremental reform
Common Security and Defence Policy	Significant scale down of European defence ambition	Things remain as they are: European defence on a slow burner with emphasis on NATO	More European defence integration
Common Foreign and Neighbourhood Policy	Significant scale down of EU foreign policy ambition	Things remain as they are: EU's role in the world declines	More European foreign policy

As institutional reforms, including treaty changes, are not on the table, and Member States do not currently show any appetite for delegating more power and sovereignty to Brussels, countries will instead need to grapple with setting priorities. Based on our analysis, we propose the following key recommendations:

Economic cooperation

- Prepare the euro better for future crises by completing the Economic and Monetary Union (EMU). This includes investing more work into developing the banking and capital markets unions and supporting further cohesion when it comes to jobs and economic growth.
- Make the eurozone locally attractive so that more countries join and, moreover, clearly communicate an open-door policy towards accepting new members within the euro area.
- Re-evaluate the admissions process to the eurozone. The rules should be stringent but also fair. There should be equal treatment to all applicants, with political factors minimally involved.
- Expand the global position of the euro so that it has the same global appeal as the US dollar. The completion of the EMU

and political stability in the eurozone and EU as a whole will additionally strengthen the euro internationally.

Schengen zone

- Ensure that a rules-based approach for Schengen is in place when it comes to border checks.
- Re-evaluate the accession process and re-establish trust by ensuring that candidate countries (e.g. Bulgaria, Romania and Croatia) are provided a clear and transparent path on the steps necessary to join the club.
- Restore credibility by implementing “boring” operational measures (i.e. peer-review assessments, joint monitoring, the establishment of clear deadlines and justifications), and the clarification of further outstanding issues to prevent erosion of the Dublin system.

Make Schengen fit to a digital age but equally across the EU so that all Member States have the same administrative, financial and technological capacity to develop or integrate new technological solutions.

Common security and defence policy

- Heed strategic needs and ambitions to prevent European defence and security being neglected during economic downturns.
- Avoid duplicating NATO structures and processes and instead focus on areas where NATO lacks competencies – e.g. facilitating military mobility, strategic communication, certain elements of hybrid warfare, cybersecurity and civilian components.

- ✦ Balance flexibility with cohesion and ensure engagement in all regions. It is important to avoid irreversible fragmentation among different initiatives. More regional inclusion should be taken into consideration in the formulation of the priorities and projects of the European Defence Fund.

- ✦ Focus on delivery and implementation instead of judging PESCO by the quantity of projects on offer.

- ✦ Remain open to third party participation as it can bring added value. The EDF, in particular, should allow third party participation, on a pay-to-play basis, where genuine mutual benefits are pursued by both sides.

Common foreign and neighbourhood policy

- ✦ Think globally, act in the neighbourhood. The EU should start projecting its power and values and have a clear and predictable strategy for its immediate neighbourhood.

- ✦ Make use of Member States interest in the establishment of informal coalitions of the willing but ensure cohesion in doing so. Creating a stronger CFSP – one that is more than an extended arm of national foreign policies should be a priority.

- ✦ Take advantage of already existing instruments (e.g. the constructive abstention instrument or qualified majority voting) so that the EU reacts in a timelier manner to challenges emanating from its wider neighborhood and beyond.

- ✦ Optimally use the European External Action Service to ensure it complements the national foreign policies of Member States.



“The EU Member States do not currently show any appetite for delegating more power and sovereignty to Brussels, countries.”

“The question on flexible modes of cooperation is, no doubt, political and connected to the European project as a whole.”

“Member States will be faced with reconciling how to preserve the EU’s unity and at the same time allowing Member States who want to do more (i.e. through flexible modes of cooperation), to do more).“

2.

Differentiated Cooperation in Practice

The concept of differentiated integration in the EU is not novel. While scholars and practitioners have found it difficult to precisely define its meaning, the essential idea of a differentiated integration

strategy is to 'reconcile heterogeneity within the European Union'. This approach grants those Member States who want to advance in integration in a respective EU policy area the right to do

so, without obligating reluctant Member States to participate in this cooperation (including those non-willing). It implies that the formats are open for joining and the others can follow later.



Differentiated integration in theory

Multi-speed Europe (1970s) Willy Brandt

Multi-speed Europe (different speeds of cooperation) is the idea of a method of differentiated integration whereby common objectives are pursued by a group of EU countries both able and willing to advance, it being implied that the others will follow later. It relates only to Member States, with no references to non-Member States.

Examples: The Economic and Monetary Union, The Schengen Area

Europe à la carte (1979) Ralf Dahrendorf

This refers to the idea of a non-uniform method of European integration which allows EU countries to select policies, as if from a menu, and involve themselves fully in those policies. The EU would still have a minimum number of common objectives. However, different countries would integrate at different levels (variable geometry) or at different speeds (multi-speed).

Examples: The opt-outs (Denmark, Sweden, formerly the United Kingdom) and "opt-ins"

Variable geometry (1990) Francois Mitterrand

'Variable-geometry' (different levels of cooperation) acknowledges that there may be irreconcilable differences among countries and that there should be a means to resolve such stalemates. It would enable groups of countries wishing to pursue a given goal to do so, while allowing those opposed to hold back. This concept allows permanent or irreversible separation between a core of countries and lesser developed integrative units (periphery).

Examples: The Schengen Area

Flexible cooperation (1995) Mathias Dewatripont

This theory differs from "variable geometry" because the focus is not on the geography of the country but on policies. Flexible integration is composed of a common base made up of incontestable rules that all potential members must accept to enter the group. These can be seen as minimum requirements for participation, and, at the same time, the largest common denominator of the EU.

Examples: Climate policy, the eurozone

Source: Author⁸



Mechanisms of differentiation The Treaty on the Functioning of the European Union

Enhanced cooperation (1997)

Allows Member States to move at different speeds and towards different goals only within the powers permitted by the EU Treaties.

- 🔹 *Divorce Law ('Rome III Regulation') in 2010 (17 Member States);*
- 🔹 *European Unitary Patent in 2012 (25 Member States);*
- 🔹 *Property Regimes Rules for International Couples in 2016 (18 Member States);*
- 🔹 *European Public Prosecutor's Office ('EPPO') in 2017 (22 Member States);*
- 🔹 *Financial Transaction Tax ('FTT') was authorised in 2013 without any subsequent implementing acts (11 Member States).*

Constructive abstention (positive abstention) (1997)

If no member votes against the proposal (i.e. vetoes it), it is adopted. The exception is the Common Foreign and Security Policy where all decisions are adopted unanimously⁹.

- 🔹 *Used only once, when Cyprus abstained from adopting a Council Joint Action establishing the EULEX Kosovo mission (February 2008)*

Permanent structured cooperation (2009)

It provides the possibility for some EU countries to enhance their cooperation in military matters. Others can join upon fulfilment of two conditions⁹.

- 🔹 *PESCO - so far 25 Member States have signed up*

Source: Author⁸

The Treaty on the Functioning of the European Union includes instruments for allowing this type of cooperation in smaller groups of countries to further the objectives of the EU. There are three forms of mechanisms that exist today.

These are: enhanced cooperation, constructive abstention and permanent structured cooperation.

The EU Member States that have proven most open to the different flexible modes of cooperation on offer include: Austria, Belgium, France, Germany, Italy, Portugal and Slovenia. As of today, they participate in all eight existing formal formats. In addition, Belgium, Germany, Denmark, Spain, Estonia, Finland, the Netherlands and Portugal participate in the European Integration Initiative (EI2), led by France, which functions outside of the existing EU framework, bridging membership lines where necessary. Estonian, with the exception of the Property Regimes Rules for International Couples, and Spain, excluding the European Unitary Patent, are also active participants. Conversely, the group of least engaged Member States include Croatia, Denmark, Ireland and Poland. They participate in only three out of eight existing formats.

When it comes to Central and Eastern Europe, the categories and instruments where CEE countries are engaged most include PESCO (all 11 CEE), the European Unitary Patent (10 CEE countries), EPPO (9 CEE countries) and Schengen (8 CEE countries). Only one Member State participates in EI2 (Estonia) and five use the euro (Estonia, Latvia, Lithuania, Slovakia and Slovenia). Slovenia and Estonia are most engaged, Croatia and Poland the least.



“Most open to flexible modes of cooperation: Austria, Belgium, France, Germany, Italy, Portugal and Slovenia. Estonia and Spain are also active participants.”

“Least engaged in flexible modes of cooperation: Croatia, Denmark, Ireland and Poland.”

“The most popular formats: PESCO, the European Unitary Patent, the Schengen zone and the European Public Prosecutor’s Office (EPPO).”

Participation in different formats and instruments of differentiated cooperation by Member States (inside and outside of the EU framework)

	The Eurozone	The Schengen Space	PESCO	European Public Prosecutor's Office	Divorce law	European Unitary Patent	Property Regimes Rules for International Couples	Financial Transaction Tax - not in place yet	European Intervention Initiative (EI2) *
Belgium	★	★	★	★	★	★	★	★	★
France	★	★	★	★	★	★	★	★	★
Germany	★	★	★	★	★	★	★	★	★
Portugal	★	★	★	★	★	★	★	★	★
Austria	★	★	★	★	★	★	★	★	
Estonia	★	★	★	★	★	★		★	★
Greece	★	★	★	★	★	★	★	★	
Italy	★	★	★	★	★	★	★	★	
Slovenia	★	★	★	★	★	★	★	★	
Spain	★	★	★	★	★		★	★	★
Finland	★	★	★	★		★	★		★
Luxembourg	★	★	★	★	★	★	★		
Netherlands	★	★	★	★		★	★		★
Latvia	★	★	★	★	★	★			
Lithuania	★	★	★	★	★	★			
Malta	★	★		★	★	★	★		
Slovakia	★	★	★	★		★		★	
Bulgaria			★	★	★	★	★		
Cyprus	★		★	★		★	★		
Czechia		★	★	★		★	★		
Romania			★	★	★	★			
Sweden		★	★			★	★		
Hungary		★	★		★	★			
Croatia			★	★			★		
Denmark		★				★			★
Ireland	★		★			★			
Poland		★	★			★			

* EI2: is an example of cooperation outside EU framework

Source: Divorce and separation, European Unitary Patent, Property regimes for international couples, Taxation of the financial sector, European Commission website; PESCO Participating Member States, Europe.eu website; European Intervention Initiative; Ministry of Defence of France.

Summary of Country Analysis

GLOBSEC expert poll 2020

Taking instrumental and transactional approaches, the majority of EU Member States have indicated an openness towards differentiated cooperation if it can help fulfil national interests and provide freedom to participate in specific initiatives on a case by case basis.



The expert consensus reveals a recognition that an EU of multiple speeds already exists. Prominent examples often

highlighted by Member States include: the Schengen zone, the eurozone, and the recently developed Permanent Structured Cooperation (PESCO) and European Public Prosecutor's Office (EPPO).

The primary question posed by policymakers is, more often than not, not whether their respective country should be a proponent of flexible modes of cooperation. Governments, rather, are contemplating how they can play an influential and constructive role in a system based on this emerging model and how the various speeds can be best coordinated to ensure cohesion.



The findings, moreover, indicate a nearly uniform opinion against the creation of “closed clubs”. EU

Member States instead are adamant that all initiatives maintain “open door” policies that are inclusive to countries that elect to join at a later date. In this regard, differentiated integration should be pursued in a manner that facilitates gradual inclusion rather than exclusion. The model must, in other words, avoid undermining the cohesion of EU

integration and avert the creation of a core-periphery EU landscape.



Another reveal from the expert poll showed that while flexible cooperation is not couched domestically by

governments as an ideal scenario, the same governments are, in fact, externally actively pursuing deeper integration in particular areas, including in some cases where all EU members are not necessarily involved. There is an acknowledgement that consensus cannot be reached among all 27 Member States on certain issues and consequently there is a need to address these areas through smaller circles. This approach, according to one suggestion, could be referred to as “flexible unity”, indicating a preference for a uniform process of integration but the willingness, nevertheless, to participate in initiatives even when not all Member States have joined them.

Another important insight that emerged from the country analyses is the apparent apprehension in certain Member States about being excluded from “the core” of Europe and an accompanying spot “at the table” with key countries like Germany and France. While the majority of Member States agree that EU reform is needed to ensure a more efficient and effective decision making process, it cannot come at the expense of small countries.



A further finding is that the terminology and manner in which Member States and EU institutions communicate about

differentiated integration matters. While talk of “two-speed integration” or “the core/centre and periphery” is often a no-go and “multi-speed integration”

suspicious, “flexible” is less provocative. The framings of “enhanced cooperation” and the creation of additional European “cores”, aside from the eurozone, are also perceived more favourably. Despite being accepted in certain policy areas (e.g. the common currency, the free movement of peoples, climate, defence and security, foreign policy, and social policy), according to our expert poll, there are two policy spheres where multi-speed Europe is not viable. These include migration and the EU’s core commitments on the rule of law and democratic principles.



“The majority of EU Member States have indicated an openness towards differentiated cooperation if it can help fulfil national interests and provide freedom to participate in specific initiatives on a case by case basis.”

In which policy areas is your country in favour of flexible modes of cooperation in the EU?

Defence Policy



Migration Policy



Schengen zone



Foreign Policy



Eurozone



European Public Prosecutor



Other policy areas

Social Europe, The Area of Freedom, Security and Justice cooperation, European Just Transition Fund and European Response to COVID-19 crisis, Climate policy, Energy policy, Digital and sustainability agenda, Internal Security and Information Exchange

3.

Differentiated cooperation in four policy areas

Economic cooperation

With the creation of the euro area (or the eurozone) 20 years ago, the EU strengthened its internal integration and external position. While the common currency was set up with the goal of being adopted by all EU members, in practice, the euro area has become an example of differentiated governance with 19 out of 27 Member States participating. As it stands, this pattern will likely continue for the foreseeable future, with some Member States unwilling to pursue entry into the eurozone and others struggling to cohere with the necessary criteria for membership. External and internal pressures (e.g. global financial crises, the COVID-19 pandemic and the fiscal problem problems of eurozone members), moreover, threaten the continued very existence of the eurozone altogether.

Amid the current COVID-19 crisis, the eurozone is experiencing yet another overt challenge to its prosperity and survival. Old North-South wounds are being ripped open once again, with sharp disagreement among eurozone members on the policy course that should be pursued. There is a sense, in some corners, that not enough is being done by the European Central Bank (ECB) to use all the tools at its disposal. Furthermore, with over half of Central and Eastern European countries not being eurozone members, questions remain on their ability and desire to join in the future.

Against this backdrop, it is relevant to ask what comes next for the eurozone and consequentially for the EU.

Agreements and disagreements among Member States

If there is one consensus between eurozone members and European institutions, it is that a strong and competitive euro equates to a more vibrant and competitive economic landscape across the EU. The eurozone economy encompasses over 80 percent of the entire EU economy^{vi} and its influence, in many ways, also envelopes the economies of non-euro members of the EU as well. The current 19 eurozone members are, therefore, committed to the common currency as an optimal instrument for ensuring prosperity.

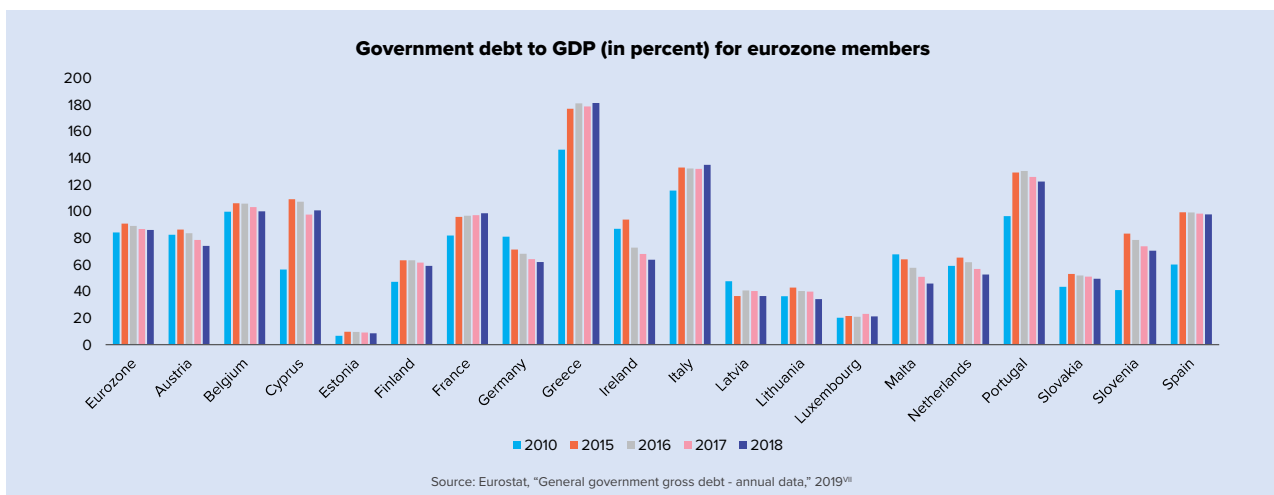
While there is conformity on the general aim of the eurozone, there is disagreement on how to achieve and sustain it. What policies and rules should be adopted to keep the euro healthy? How should the eurozone be governed and how much power should it have? How much differentiated governance is necessary and desirable? And how should the eurozone respond to crises and support Member States facing distress? These questions find no quick and easy common resolve.

Each eurozone member has passed complex technical criteria to “qualify” and has committed to following certain financial rules set in place by the Stability and Growth Pact, including limits on government deficits at 3% of GDP and

debt at 60% of GDP. This arrangement has proven vital in ensuring, all else being equal, that the currency is supported internally and allowed to strengthen its global position. The rules, however, have not always been followed to the letter, with 11 out of 19 members having exceeded the debt limits at some point.



“If there is one consensus between eurozone members and European institutions, it is that a strong and competitive euro equates to a more vibrant and competitive economic landscape across the EU.”



The debate lingers on regarding whether the rules are up to date and if they are beneficial to national economies. A line, in particular, separates northern and southern Europe on the questions of deficit and debt expenditures. Northern Member States have conventionally held a stringent position on fiscal discipline and southern countries a more lax approach. This debate could be seen as a harbinger of more far-ranging disagreement on the overall shape of the euro and endeavours to keep it strong and healthy. Such a view, however, does not adequately take into account the many complexities that national and EU policies, economic pressures and additional uncertainties bring forth each economic cycle. Interestingly, history shows that the EU, following the eurozone crisis, has been much better at punishing economic transgressions than political transgressions, exemplified by ongoing developments in Poland and Hungary.

The future of the eurozone now stands at the heart of today's debate on differentiated integration. Bold proposals have indeed been put forward (e.g. by French President Emmanuel Macron) to deepen integration between the 19 current members and institutionalise their power. If enacted, the eurozone could get its own minister - a leader with official powers - and more importantly its own budget, thereby allowing the group to make decisions with financial independence. Yet, there is disagreement between euro area members, non-euro Member States and European institutions. It is feared that such deep independence will isolate and disadvantage non-euro countries. This could lead to a situation where, even if these countries wanted to join the eurozone, they would be unable and/or unwelcome. Such moves would, furthermore, increase the reach of supranational decision-making, with some Member States fearing that their voice would not be respected and instead preferring the current intergovernmental arrangement. The European Commission also does not see it fit for the eurozone to separate and thus take away competencies currently residing with EU institutions.

Therefore, as it stands today, little is foreseen in the short-term that will alter

the institutional set up of the eurozone, with the ECB, Eurogroup, the Economic and Financial Affairs Council and the European Commission each having a role.

As the eurozone financial crisis of 2010 exposed some significant weaknesses in the guiding mechanisms of the euro, the ECB and the euro area members have worked on crisis-proofing the currency and the eurozone for the next stress test that emerges. Monitored through the European Semester, special attention has been paid to the banking system to ensure its durability and the overall fiscal health of euro members. The European Stability Mechanism (ESM)—a fund to assist eurozone members in trouble and tied to specific conditions—has also been developed. Yet, as we witness the unfolding of a health pandemic that will exert significant economic and financial pressure on the EU and the eurozone, there has been a realization that no two crises are alike. It is still to be seen if the eurozone members have adequately prepared by complying with rules and policies. The verdict is also still out on austerity and its effects during the current crisis, the sufficiency of existing tools and whether existing guidelines have been the right ones.

With the COVID-19 pandemic looming over Europe, the scale of the economic fallout that is to come remains uncertain. The forecast of 2020 eurozone economic growth has already been slashed from 1.1% to 0.8% and might be adjusted further^{viii}. In terms of what to do about it, there are numerous options on the table backed by different groups and with varying levels of agreement behind them.

First, the ECB has at its disposal several tools to prop up the euro. The ECB, among other steps, has agreed to buy bonds worth 870 billion euros (7.3% of the euro area's GDP), free up three trillion euros in liquidity to banks and keep interest rates at a record low of -0.75%.^{ix} Christine Lagarde, the President of the ECB, has indicated that while the ECB will act on its mandate, it is, nonetheless, the responsibility of national governments to spend appropriately and ensure the financial health of the eurozone. If the ECB appears to be somewhat restrained, it could be because it sees this crisis in

a different light than the financial crisis Mario Draghi confronted.

Second, the eurozone ministers of finance have been struggling to agree on a recovery package for the economy. Early on, the public debt condition was put "on ice" to permit increases in governmental spending of euro area members to support their health care systems, economies and social systems. While such measures proved relatively easy to agree on, proposals on borrowing cash have revealed themselves to be more contentious. Italy and Spain, for example, among the countries hardest hit by the pandemic in Europe, are also the riskiest countries to lend cash to. Therefore, an old proposal on eurobonds - mutualising debt - is currently being dusted off and presented as 'coronabonds.'

Not dissimilar to the financial crisis, there is a deep North-South fissure opening up again in Europe. Northern countries are insisting on fiscal discipline and stringent conditions to ensure that expenditures are reasonable and necessary and that they will not negatively impact other Member States. Southern countries, meanwhile, are lobbying for solidarity, framing it as beneficial to the entire euro area given that a collapse of large national economies would be detrimental to other members too.^x A compromise is likely to be in the offing, including the softening of ESM conditions attached, nevertheless, to some restrictions on loan spending. The mutualisation of debt, however, remains unlikely at this time.

To soften the financial, economic and social effects of COVID-19 in the EU, two other options that could be pursued include: permitting the European Investment Bank to provide loans directly to companies in need and short-term unemployment reinsurance (SURE) to be carved out of the EU budget. Here, the devil is in the details as some northern countries (e.g. the Netherlands) are worried that such an instrument could become permanent.

As the COVID-19 pandemic exerts a heavy toll on the health, social and economic systems of all eurozone members, there is a sense of urgency to limit the duration of any ensuing crisis. However,

disagreements continue to persist both among euro area countries and institutionally. While this debate can often prove beneficial in normal times when contemplating reform, during a crisis it reveals a lack of shared understanding on the meaning of solidarity. There is a risk that Member States will squander an opportunity for deeper integration in the euro area.

Central and Eastern Europe Perspective

There is no unified Central and Eastern Europe (CEE) perspective when it comes to the eurozone. Only five of 11 CEE countries in the EU, in fact, have adopted the euro. Among current non-members, Bulgaria, Croatia and Romania are actively seeking membership, whereas Hungary, Poland and Czechia prefer their position outside the institution. The euro area is, consequently, a case illustrating that the CEE bloc does not always stick together.

Most CEE countries have gained a strong appreciation of the common currency though and the prosperity and economic protections that come with it. With CEE countries often apprehensive on the idea of differentiated governance, connected to concerns regarding core/periphery divisions, Bulgaria, Croatia and, at a slower pace, Romania are indeed actively seeking to align their financial systems and economies to ensure that they too can accede to the eurozone club.



The convergence criteria for adopting the euro, officially, has not changed for new applicants. But as the previous financial crisis highlighted, there is a need for further structural safeguards, in addition to deficit and debt controls. The Bulgarian banking system, for example, has been undergoing a year of intensive scrutiny from the ECB to ensure its stability, taking into account the potential for new economic downturns (e.g. the current pandemic aftermath). And as eurozone members prepare for an upcoming likely recession, the trust gained so far towards the Bulgarian system has been put on hold. In other words, a ‘let’s wait and see what happens during a real crisis’ approach has been adopted, potentially stymieing the aspirations of the Bulgarian government just short of success. While the lack of a tangible reward is likely frustrating after the hard work invested into preparing the Bulgarian financial and banking system for the process, a real-time test could prove to be the best form of evaluation. If the system stays stable, who is to deny its readiness?

Three of the Central European Member States—Poland, Hungary and Czechia—are simply not interested in pursuing the adoption of the euro. Their justifications largely circle around the flexibility that they have gained in setting monetary policy by keeping their own currencies. This flexibility, according to the governments of these three countries, is more beneficial in a time of financial crisis than anything accrued from being tied to the ECB’s common monetary policy. The data shows that the three countries were, nonetheless, not immune during the last financial crisis, with their economies significantly interwoven into the euro area economy, especially to Germany. While the governments were provided some policy manoeuvre during the crisis, the broader benefits are unclear. In addition to the ease of transactions, the ready availability of a strong reserve currency (the euro) and a decline in transaction costs, two other benefits are apparent—additional financial support available only to eurozone members and decision-making power in the context of the overall European financial and economic policies.

Witnessing the COVID-19 economic downturn, it appears the CEE countries

not in the eurozone are fending for themselves, without the above mentioned support from the ECB and ESM. They instead are relying on currency adjustments (Bulgaria, however, has a fixed exchange rate with the euro so no such adjustments are being pursued by its national bank), the borrowing and spending of national central banks and the eventual implementation of the EIB’s loan programme for companies and SURE. With significant uncertainty on the extent and duration of the economic challenge ahead, non-eurozone members from CEE face the risk of a deeper economic recession than their peers.



“There is no unified Central and Eastern Europe perspective when it comes to the eurozone.”

“If the eurozone deepens its integration, with its economic and financial power, it would place those EU countries that are not members in an increasingly difficult political position if they wish to maintain influence.”

If the eurozone deepens its integration, with its economic and financial power, it would place those EU countries that are not members in an increasingly difficult political position if they wish to maintain influence. As the internal market becomes further intertwined, it is plausible to assume that countries like Poland,

Hungary and Czechia would have little choice but to adopt the euro. With the euro area being around 20 years old now, there is still much more to build on, fix and align. The previous financial crisis and the current economic downturn are exposing weaknesses in the eurozone. Some of its flanks have

been strengthened but the euro is yet to become attractive to all EU members. Eurozone members are also yet to find concrete agreements on some issues and a persistent lack of balance between solidarity and self-responsibility threatens the prosperous future of the entire EMU.

Possible scenarios for the Eurozone



Collapse of the euro



As is, differentiated governance but elevated



All EU members part of the eurozone

Collapse of the euro

This scenario could occur if the euro area is unable to handle catastrophic gyrations of the currency due to unpredicted and/or underestimated shocks and/or collapse of strong eurozone economies. There are some warning signs present even today. The COVID-19 pandemic was not expected to affect Europe with such ferocity. The uncertainty and a lack of reliable pandemic models - and consequently also economic models - makes all measures being taken, at best, "possibly" adequate. Additionally, with renewed sharp North-South disagreements in the euro area, if national economies are not provided necessary support, with the right level of solidarity and responsibility, it is not farfetched to see the collapse of some important European economies. This would be a worst case scenario.

As is, differentiated governance but elevated

On the whole, the eurozone has been a significant accomplishment for the EU. In 20 years, the euro have become the second most used reserve currency, gaining financial and political strength. It has provided opportunities to euro area

members to become more prosperous and been indirectly beneficial to all EU members. The basic set up, therefore, is right. The urgency is now for the EMU to be completed. Eurozone members need to be protected by safeguards and appropriate mechanisms. And there is a need to rethink the membership criteria with a view to ensuring that the door to join is left unambiguously open. A euro area, in this form, would be a net positive for both its members and those outside it and represents an acceptable scenario.

All EU members become part of the eurozone

If the euro area attains full EU membership, as intended, it would gain a strong global economic position with better opportunities for all members. A common monetary policy would enable a coordinated response to pressures and an increased feeling of belonging with more willingness to provide contributions to the euro area. This scenario involves the evolution of the eurozone from differentiated governance to full supranational governance. While theoretically such a possibility exists, present developments make its realisation difficult to envision. It would, nevertheless, be the best case scenario.

Schengen zone

Borders within the Schengen Area were quickly re-established in the wake of the COVID-19 epidemic. Along with temporary borders, old political divisions, intra-border spats and recriminations re-emerged. It is worth pointing out that the Schengen zone is not just a building block of the European integration project, it is first and foremost, an ambitious bureaucratic and administrative system of supranational cooperation. What is more, a litmus test for solidarity between the Member States and the EU institutions (or lack thereof) and a guarantee of the smooth movement of people and goods throughout most of the Single Market.

The Schengen space is an example of differentiated cooperation, in which participation is conditional: only when specific conditions are fulfilled a country can accede. In principle, Schengen is open to all EU Member States but, as of yet, not all participate^{xI}. Ireland, for example, has been granted a derogation and others like Bulgaria, Cyprus, Croatia and Romania are not yet members. Four non-EU countries - Norway, Iceland, Liechtenstein and Switzerland – are, meanwhile, also part of the Schengen zone.

The Schengen system is based upon common rules and procedures concerning visas for short stays, the processing of asylum applications and border controls. Internal border checks, meanwhile, are eliminated. To compensate for security risks, rules have been established on judiciary, police and customs cooperation and technological platforms have been developed for data and information sharing (the Schengen Information System). While Member States retain the duty to secure their borders with non-Schengen countries, they are assisted by the European Border and Coast Guard Agency – Frontex^{xII}.

It is worth mentioning that the future of Schengen cooperation cannot be determined by focusing exclusively on the technical aspects of border controls. Since the Schengen acquis has been fully integrated into that of the EU, it has

often been examined as a key component of the single market. It is now linked especially to security issues but also the common foreign policy, defence, migration, terrorism and public health management.

Agreements and disagreements among Member States

Although the Schengen agreement was criticized in the mid-1980s as a form of ‘backroom’ politics, lacking transparency, proper parliamentary control and judicial protections, it is now seen as one of the greatest achievements of European integration^{xIII}. Despite pressure arising over the past decade from migration flows, terrorism and cross-border crime, European countries have generally resisted reintroducing internal border controls and the Schengen zone has persisted.

Contrary to common perceptions, the Schengen system has coped well with the increased influx of immigrants witnessed since 2015^{xIV}. Problems have instead lied with the incentive structure enabling Member State to shirk responsibilities and the different risk assessment criteria adopted by three different groups of Member States. It is also true that five Member States (Austria, Denmark, France, Germany and Sweden) introduced varying degrees of border controls. Though the number of asylum applications has decreased since 2015, these borders checks have remained in place despite their questionable legality under Schengen regulations.

The real challenge to the Schengen zone, therefore, is political and connected to the European project as a whole. Do Member States want to pool sovereignty and trust each other enough to delegate more competences to supranational bodies like the European Commission? Is there enough good will and resources to manage crises without reverting to national frameworks? Could this good will be shattered in the face of a COVID19

pandemic or dramatic situation like a deadly terrorist attack on the soil of any particular European country? These questions cannot be answered with absolute certainty. Although it is difficult to prepare for these kinds of challenges, a smoothly functioning Schengen system can only help.

The Schengen system also cannot be blamed for the lack of a proper foreign and security policy of the EU. The EU and member countries should be more involved in state-building initiatives of countries and territories, like Libya, torn apart by conflict and poverty. Reception centres cannot be created in lawless areas ruled by militias. Migration flows need to be adequately monitored and, for that, cooperation with UN system bodies like the IOM is essential as well as engagement with civil society and think-tanks.

The European institutions should avoid a top-down approach. The coordination of border closures due to COVID-19 initially faced setbacks and administrative measures like the relocation scheme proposed in 2016 have demonstrably not served their purpose. If Schengen is to survive, Member States will need to invest more resources into it through the European budget, including towards the establishment of a truly European external border, and also into the internal security arm of the EU. All databases and electronic systems, including the Visa Information System and Eurodac, should be improved and intelligence sharing facilitated.

Schengen is not only an example of flexible integration where special rules for individual members are possible and where non-EU members can take part. It also has the potential to generate positive externalities and integration spill-overs to other areas. Given the strategic value of Schengen, Member States are likely to jointly work on compensatory measure to maintain free movement. The Schengen system has historically managed to develop enhanced security mechanisms to compensate for the free movement

of people. This process is highly likely to continue.

Central and Eastern Europe Perspective

The question of the future of Schengen is especially important to the region of Central Europe. Central European societies were on the receiving end of significant support from the West during communism. Many Poles, Slovaks, Czechs and Hungarians were given asylum and refuge, and humanitarian aid was delivered through the late 1980s to people who stayed behind. Having lived through Cold War era restrictions on movement, citizens of CEE countries rank Schengen as the central benefit of European integration. With many thousands taking up employment in Western Europe, Central Europeans would be adversely impacted by any restoration of border checks and/or the imposing of other restrictions. The Central Europe region is also tightly integrated into European production chains. This, in fact, puts added responsibility on the Visegrad Four countries (the Czech Republic, Hungary, Slovakia and Poland) to contribute constructively to the ongoing debate and seek lasting solutions to problems.

If the smooth functioning of Schengen is the ideal outcome, the challenge for the region is how to get there and how to be perceived as a constructive good-faith player in the process.

Well-aware of the benefits the borderless zone brings, the countries in the region are ready to cooperate on compensatory mechanisms in the area of security. They are also in favour of enhanced external border protections and openly prioritise it as key in both controlling migration flows and “solving the root causes of migration”. Disagreements with Western European countries concern solidarity in sharing the migration burden as Central Europeans staunchly oppose the relocation of migrants or “Europeanizing” asylum provisions. The latter will remain an important factor for Western European countries as high levels of migration are likely to continue. If it comes to redefining the Schengen composition, Central

Europeans will need to demonstrate that they treat security and humanitarian concerns of Western European counterparts as their own and be ready to compromise.



“The Schengen zone is not just a building block of the European integration project. It is a litmus test for solidarity between the Member States and the EU institutions (or lack thereof) and a guarantee of the smooth movement of people and goods throughout most of the Single Market.”

“Although the Schengen agreement was criticized in the mid-1980s as a form of ‘backroom’ politics, lacking transparency, proper parliamentary control and judicial protections, it is now seen as one of the greatest achievements of European integration.”

Possible scenarios for the Schengen Area



Demise of borderless space
(Break-up scenario)



A Schengen in its current
configuration; a smaller
Schengen or Schengens



Further integration: federalisation
or at least incremental reform

Demise of borderless space (Break-up scenario)

It is easy to envisage a scenario where the Schengen system experience a demise. If the COVID-19 measures currently in place are extended or another massive influx of irregular migrants occurs, temporary border controls could become permanent if European institutions prove unable or unwilling to restore the Schengen regime.

Politically it is still a rather far-fetched, but not impossible, scenario. Emmanuel Macron, President of France, has recently warned that keeping the internal border closed may signal the end of the Schengen Area^{xv}. If it happened, it would probably arise as the consequence of national political developments that see anti-European and anti-immigration parties and political leaders take the reins of government (e.g. in France, Germany or the Czech Republic).

If the Schengen zone ceased to exist, there would be concrete consequences ranging from a crisis to the Single Market to the evolution of the security environment and the re-establishment of necessary infrastructure. It would contribute to a significant loss in confidence, on the part companies and consumers, towards the Single Market and could lead to a severe recession. The economic costs of an elimination of the Schengen system are estimated at 143 billion euros per year^{xvi}. The economies of Schengen countries would decline by 0.8-2.7% of GDP and would be accompanied by similar decreases in the EU budget.^{xvii}

Finally, the EU's clout on the world stage

would be significantly hampered in light of the fact that the Schengen visa policy is an important tool for EU relations with third countries. And if citizens' belief in the viability of the European project is shattered, it could further lead to a chain reaction where other common policies of the EU are questioned and undermined – from the euro currency to trade and agricultural policy.

A Schengen in its current configuration; a smaller Schengen or Schengens

Mini Schengens

A total collapse of Schengen and a return to national borders is unlikely. A scenario involving the abolition of the free movement zone in its current manifestation and the formation of “mini-Schengens” between more tightly-knit and like-minded countries, however, is not entirely implausible. These arrangements could come to include, for example, the Nordics, Benelux, France, Germany and other countries in various compositions^{xviii}.

A smaller Schengen: some countries quitting or forced to exit

The composition of the Schengen Area can also change as a result of some countries choosing to abandon the arrangement or being forced to quit. Denmark, for example, has long had uneasy feelings about its Schengen membership, which could intensify if other countries insist on lifting the temporary checks that Denmark has put in place^{xix}. Although Denmark has decided to voluntarily adopt Schengen regulation amendments, increased pressure to abandon its border checks could lead to Copenhagen dropping out of the Schengen zone altogether.

During the 2015 migration crisis, Dutch Prime Minister Mark Rutte had already floated the idea of a mini-Schengen that would have consisted of the Benelux countries and a couple neighbours^{xx}. The Netherlands is, furthermore, a virulent opponent of the Bulgarian and Romanian bids to join Schengen despite



Cost of bringing back border controls



Economic

Trade | Commuting | Tourism



Administrative

Cost for public sector infrastructure
Managing costs



Social and political impact

Security | Crime | Trust

Source: A. Kudzko, Nothing But Schengen Matters, March 2020^{xxx}

Commission assessments finding that the two countries are ready to join^{xxi}. In the light of COVID19, Martin Klus, a State Secretary of the Ministry of Foreign and European Affairs of the Slovak Republic has been promoting “mini Schengens”, which would imply lifting border with Austria and Czech Republic before the ones with Poland or Hungary^{xxii}.

Nordic countries also are not entirely opposed to the idea of reverting to the Nordic Passport Union that existed before the Schengen zone was introduced. The expansion of Schengen to Central and Eastern European countries has increased public consternation that immigration and crime could rise. Although border checks are currently being enforced between Denmark and Sweden, if progress remains at a standstill at the European level, a return to a Nordic mini-Schengen is not unrealistic.

The creation of mini-Schengens or a core Schengen zone with fewer members are both scenarios that could be premised on the principle of differentiated integration, a practice that has the potential to enable deeper integration through the bypassing of countries dragging their feet.

Approaches that restrict Schengen to new members or permit the formation of mini-Schengens provide the advantage of both appealing to sceptical countries to stay put and facilitating cooperation when broader agreement is not possible. It would also make it possible to explicitly link Schengen provisions with solidarity and burden sharing on migration.

The disadvantage, on the other hand, would be the significant downscaling of free-movement ambitions that would accompany such moves. Furthermore, for many countries, the Schengen zone is one of the most attractive aspects of the European project and their exclusion would decrease the incentive for these countries to cooperate and compromise on common EU rules. There is also uncertainty about the future strength of the euro as a currency in a context where borders are reintroduced and/or where some countries are excluded from Schengen arrangements.

Further integration: federalisation or at least incremental reform

Any reform of the Schengen system would ideally be aimed at optimizing both economic prosperity and security. This could be achieved, for example, through the adoption of a federal model, implemented in countries like the United States, where the central government is responsible for managing external borders and providing homeland security. Full integration, consequently, would require the transfer of competencies on both border and internal security cooperation to the European Commission and other EU bodies. These reforms would likely necessitate either significant treaty changes or an enhanced cooperation agreement between countries that wish to further integrate on migration policy. If existing national competences were indeed delegated to Brussels, there would be certain consequences, namely:

- The Schengen system would become an integral component of other EU policies and strategies concerning the Single Market and the Common Foreign and Security Policy. EU policy towards, say, Senegal would involve the coordination of trade, development aid, anti-terrorism and migration portfolios. The pooling of financial resources would contribute to considerable growth in the size of the European budget and enhance efficiency in areas where the programs of Member States are no longer duplicated.

- A harmonization of laws and procedures would necessitate an introduction of common asylum standards and procedures (i.e. the end of asylum shopping). The Dublin system would also be enforced and see the implementation of a fairer model in the distribution of responsibilities and duties therein. Equal treatment rules (e.g. reception conditions) would be specified at the European level and financial resources for these purposes set aside through the European budget.

While a comprehensive reform would lead to a more agile EU able to respond to crises quickly and efficiently, the scenario is unlikely in the current political

and social climate. The prevailing winds instead are more likely steering the EU towards a process of incremental reform of the Schengen system.

The continuation of “turf wars” between individual Member States and between Member States and the EU institutions will probably persist. So too, however, will the current trend towards gradually increasing the competencies that fall under the remit of Frontex. Dublin system reforms, however, will continue at a slow pace. Even under a scenario of incremental reform, it is, nonetheless, feasible to introduce de iure and de facto norm harmonization on asylum seekers and refugees. Both “asylum-shopping” and “refugees in orbit” can be halted and the will is there to enhance internal security cooperation. On “tackling the migration issue at its source”, more initiatives targeted to reaching out to destination and transit countries can be expected.



“The real challenge to the Schengen zone is political and connected to the European project as a whole.”

“The Schengen space is an example of differentiated cooperation, in which participation is conditional: only when specific conditions are fulfilled can a country accede.”

Common Security and Defence Policy

Europe's aspirations of doing more on defence has oscillated historically. When impelled by a propitious external environment, in particular, steps have been taken in the past to create provisions for deeper integration. But each bout of enthusiasm and progress has been typically followed by a period of decline in interest and accompanying attention given to the common European defence project. Over the past couple years, Europe has experienced another upswing, with increasing acknowledgement that EU defence and security is in need of an upgrade. As its US allies pivot towards other theatres of engagement and project less predictability, Europe is beginning to come to terms with its changing strategic environment. Instability in the Eastern and Southern neighbourhood, though shaped by different factors, has intensified. China is, moreover, now recognized as a strategic rival that poses a range of security challenges that cannot be overlooked. And hybrid threats, including malign disinformation and cyber threats, are becoming ever more difficult to confine in narrowly defined military domains.

Agreements and disagreements among Member States

There is an overarching consensus between Member States that Europe needs to enhance its ability to deliver defence and security for the continent. This comes with an understanding that European defence, no matter its extent, will not exist in a vacuum and will continue to be defined through EU relations with strategic allies and partners. Hardly anyone indeed considers it feasible to develop a European security and defence mechanism that is in contradiction to NATO. Quite the opposite, European defence is designed to complement and strengthen the transatlantic alliance.

There is disagreement present concerning the implementation of this broad vision. This includes, first of all,

variations in how various stakeholders envision the scope and parameters of defence ambitions: how far should European defence go and what should its priorities be? Well-established differences in threat perception and assessment of strategic environment across the continent, undoubtedly, contribute to this divergence. While there is, in fact, a consensus that current security needs are being insufficiently addressed, there is disagreement on the sources of this insecurity and the priorities that should be pursued to resolve them. A second disaccord, in part a consequence of the first, is the reluctance of European countries to invest more in defence and security.

These disagreements have propelled multi-speed integration forward in the area of defence and security. Countries are increasingly clustering with like-minded peers and undertaking initiatives in the absence of their foot-dragging European counterparts.

Current initiatives: multi-speed, multipurpose

There are several initiatives at the European level envisaged to advance European defence cooperation. Today, we call them by the acronyms of CARD (the Coordinated Annual Review on Defence), PESCO (Permanent Structured Cooperation), and EDF (the European Defence Fund).

These endeavours and broader discussions regarding the implementation of European defence ambitions are, however, underscored by disagreements regarding inclusivity. One group, with France in the lead, envisions rather exclusive cooperation between a smaller group of like-minded countries that agree on a common scope and direction of defence reform^{xxxi}. This fast lane would permit participating countries to move the agenda forward and deliver needed action and flexibility without the need to reconcile the divergent views of members.

This flexibility and action oriented approach is exemplified in EI2, which is geared towards preparing a group of willing countries to jointly engage in crisis management in the European neighbourhood. France invited nine European countries to join – the UK, Germany, Spain, Italy, Estonia, Belgium, the Netherlands, Portugal and Denmark. Seeking to function outside existing EU frameworks, the group crosses membership lines where necessary. The UK, for example, is participating in spite of Brexit and Denmark has joined even though it has an EU opt-out in this area.^{xxiv}

Another cluster, led by Germany, is less inclined towards the multi-speed



EU Defence Initiatives

Card Coordinated Annual Review on Defence^{xxxi}

Provides Member States with an overview of capabilities and identifies opportunities for cooperation.

PESCO Permanent Structured Cooperation^{xxxi}

Member States subscribe on a voluntary basis to binding commitments to jointly plan, develop and operate defence capabilities. PESCO projects range from enhancing the mobility of military assets and personnel in the "military Schengen" to cybersecurity and countering hybrid warfare. Industrial cooperation is particularly emphasized with the goal of facilitating standardization and streamlining national procurement.

EDF European Defence Fund^{xxxi}

The EDF promotes defence cooperation among companies and between EU countries to foster innovation and develop state-of-the-art defence technology and products. The Fund aims to coordinate, supplement and amplify national investments in defence. The Fund also creates incentives for companies and EU countries to collaborate on the joint development of defence products and technologies through co-financing from the EU budget.

approach, instead favouring a slower and more inclusive tact. This constellation is uneasy about potential fragmentation of the EU and the further duplication of tasks that may occur. PESCO, consequently, is open to all EU members, with possibilities for non-EU Member State participation to be further elaborated upon.

Regardless of the intention of maintaining an inclusive PESCO, it is a voluntary format and the multiplicity of projects being implemented under the scheme still implies that participation and transformation is not uniform.

While PESCO is moving in the right direction, there is widespread scepticism on whether it can fill in all necessary gaps. This largely stems from the fact that participating countries are signing onto projects that they were already capable of implementing at the national level anyway. In this vein, participation appears insufficient if the aim is to address continent wide capability deficits.^{xxv}

forecasts are already crystallizing. The economic crisis does not bode well for public finances, and defence and security will likely take a hit both in national budgets and the new MFF for 2021-2027. Already at the end of February, before few could imagine the coming scale of the coronavirus economic impact, the defence portfolio was scaled back in the revised MFF proposal. While the initial Commission proposal enclosed 6.5 billion euros for military mobility, for example, allocations will now approach zero^{xxvi}. Given the pressure to alleviate immediate economic needs and sustain the economy and labour market, both the EU institutions and national governments are likely to treat defence as a lower level priority.^{xxviii}

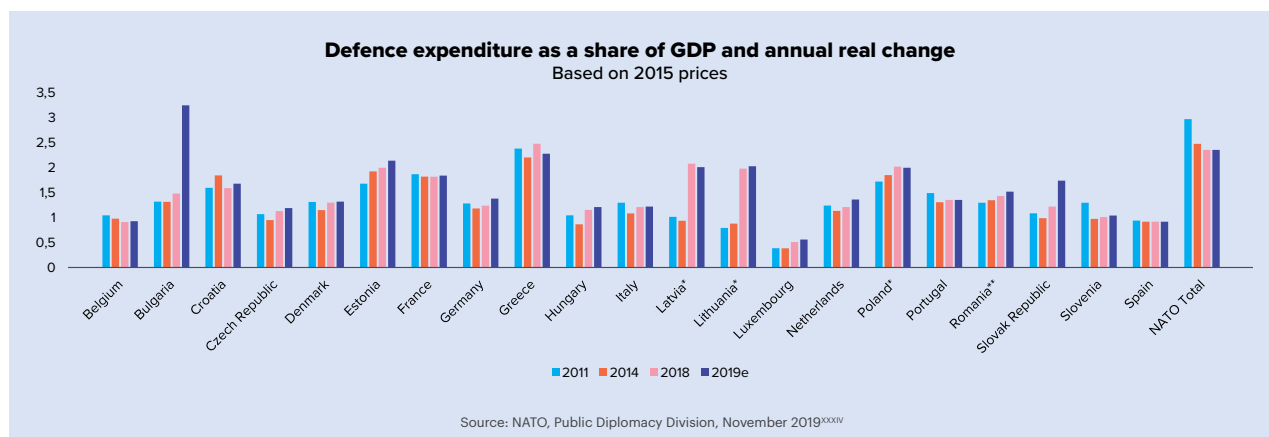
If defence budgets are indeed cut to the bare minimum, Europe will find it difficult to even maintain the level of ambition envisioned in 2019 discussions and to address heightened security threats in a challenging strategic environment.^{xxix}

call necessitating closer coordination of defence planning and capability sharing. Given the uncertainties surrounding the current crisis, it is too early to make firm predictions on the way the winds will blow. But it would be beneficial to start planning ahead on the implications of different potential routes to ensure the most optimal path is embarked on.

Central and Eastern Europe Perspective

Central and Eastern European countries are predominantly Atlanticist in their outlook when it comes to defence and security. They also share a healthy degree of caution towards the concept of European Strategic Autonomy.

But despite these commonalities, Central European countries have not developed a coordinated or coherent approach towards European defence integration. This reflects a divergent perception of



The much needed harmonization of legal requirements, procurement and joint R&D, furthermore, will not be achieved in a year. The projects will eventually bear fruit but allies, in the meantime, will need to equip themselves with strategic patience. Although structured for a long-term transition and not seamless, defence integration initiatives have functioned to steer European defence ambition in the right direction. This might change, however, with the pandemic and its implications on national budgets^{xxvi} and accompanying changing perceptions of national security needs and priorities. While the long term implications of the pandemic are unclear, short-term

The onset of more severe financial restraints does not mean, however, that European defence has no future. Europeans might very well realize that the security situation in the world has not improved. Aspiring global powers and a diverse range of non-state actors are vying for influence and engaging in behaviour that, if not always threatening the territory of the EU directly, is destabilizing the neighbourhood and inflaming conflicts around the globe. And if the US is not omnipresent anymore, the EU will have no choice but to develop the capacity to fend for itself when needed. Dwindling financial resources, in fact, could serve as an additional wake-up

threat among CEE countries and varied apprehension regarding the degree of their potential exposure to the threat posed by Russia. But even at the lowest common denominator, CEE countries are suspicious about the depth of commitment of Western counterparts to Eastern perceptions of threats, including their origins and urgency.

The current state of European defence does not provide CEE with a credible guarantee and sufficient incentive to invest heavily in this format. CSDP is and for a long time will remain an aspiration rather than a reality. Having to decide where to invest its political, administrative

and diplomatic resources, CEE will continue seeing the EU as a structure that specializes in and facilitates economic convergence rather than providing existential security guarantees. CEE will hence continue vesting their security primarily in NATO.

This prioritization of NATO, in turn, steers CEE towards advocating for a European security and defence framework that is designed to be complementary to – not in competition with – NATO. These preferences are moving up, however, against a counter current, one where France and Germany increasingly view defence and security as the next catalyst

for European political unity, particularly against the backdrop of unpredictability in US foreign policy.

European defence integration could, consequently, continue, with Brexit accelerating the process by removing the UK's traditional opposition. CEE will not want to be left behind. First, CEE will need to avoid the creation of an exclusive core group of Western states where defence cooperation is likely to spill over to closer political and economic integration, in the process leaving CEE far behind and rendering it less relevant. Second, CEE (and NATO) are better off being part of the agenda shaping process to ensure that

EU projects are not decoupled from NATO requirements and the NATO agenda.

If there is reconceptualization of national security, many CEE countries are still unlikely to become less susceptible to the perception of the threat from the East, particularly hybrid threats. With less attention devoted to the neighbourhood and the resolution of conflict in Ukraine, the level of threat perception is unlikely to subside. This might lead to an even bigger cleavage with Western and Southern European countries who have been more severely impacted by the coronavirus than Eastern Europeans.

Possible scenarios for Common Security and Defence Policy



Significant scale down of European defence ambition



Things remain as they are: European defence on a slow burner with emphasis on NATO



More European defence integration

Significant scale down of European defence ambition

There are several paths that could lead to a bleak outcome in which European defence ambitions are scaled down. If the current public health and subsequent economic crises are protracted and recurrent, the sheer financial strain on public budgets will be so severe that countries simply might not be able to afford to invest much in defence. Against this backdrop, administrative capacities will be devoted to the more immediate needs of public health and economic well-being.

The overall capabilities of European countries will diminish significantly given that their maintenance might also become financially untenable. This will likely be accompanied by cooperation at

the European and NATO level. But this pooling will not be enough to compensate for a decline in capabilities. The result: Europe will be more vulnerable than it is now.

Contrary to recent aspirations, the European defence industry will become another victim of the economic downturn. With budgets shrinking, defence procurement will drop down the list of priorities. The defence industry is further at risk of being disrupted by lockdown measures and interruptions to supply and delivery chains. With economies shut down and future investments uncertain, production has become unpredictable and potentially unprofitable. Not all smaller businesses, particularly specialized ones, will survive the crisis and the suspension of economic activities that have come with it.

If until now Europe developed plans to integrate defence industries and coordinate procurement and acquisition, at least among the countries willing to participate, there might not still be enough companies in Europe to develop such a common industrial base. The increased realization of the need to localize key national security industries will lead to the rethinking of production chains. But that simply might become unaffordable. There are already discussions under way on how to prevent the acquisition, by foreign powers or malign actors, of financially afflicted companies that are critical to national security. With no customers and no European bail-out funds, national security suppliers are at increased risk of disappearing or being swallowed up by foreign investors. This will be more challenging to reverse than a temporary decline in the readiness of defence forces and standards of maintenance of equipment.

Another path, as part of a scaling down framework, takes into account the effects of further United States disengagement. The US shift away from prioritising Europe had been visible before the current crisis and before the Trump presidency. If faced with an economic crisis and public pressure to deal with domestic issues and other global concerns, the US could conceivably accelerate its withdrawal from Europe. Even if defence investments in Europe continue at their current level, the loss of capabilities and deterrence will be significant as crucial enablers will be lost.

In the European context, this scenario might also involve the deepening of multi-speed integration and the formation of coalitions of the willing to address specific threats. With the US weakened and less interested and Britain out of the EU, Central and Eastern European states might not find much support for their threat concerns related to Russia. Southern states will be more likely to invest their more limited resources and capabilities in the Southern neighbourhood, all the while limiting engagement. E12 could become the platform of choice that enables the acceleration of this pattern.

Things remain as they are: European defence on a slow burner

Another possible path forward foresees the EU abandoning its recently elevated ambitions and becoming content with preserving the status quo. This scenario, however, necessitates a continuous level of engagement from the US and no significant drop in defence budgets over the next several years. This outcome would witness a further widened critical capability gap, with negative repercussions on Europe's ability to defend itself and project stability and security in the neighbourhood.

All of this would mean a turn towards deepening multi-speed integration. Countries that have the resources and share threat perceptions will jointly focus on a limited set of issues without the need to bring other EU members on board. Although accelerated and enhanced pooling and capability sharing might offset

some drawbacks of this approach, this will become exceedingly difficult if European countries become more inward looking and prioritize national solutions at the expense of shared resolve.

This scenario, notably, will not lead to improvements in the security climate of Europe as a whole or its neighbourhood. Nor will it enhance the ability of Europe to be more active in crisis resolution around the world.

More European defence integration

Realizing that it has no other alternative if it wishes to ensure a propitious global environment and rule based order, Europe still might decide to proceed towards its ambition of becoming a more capable security and defence actor. There is still the possibility of a non-protracted economic crisis that sees Europe, in a year or two, return to its current level of economic prosperity and growth.

Under this scenario, countries will implement their PESCO and other European commitments and close critical capability gaps. These developments could be supported if security and defence also became part of the joint European recovery package. With Research & Development (R&D) serving dual use purposes, investments in this area could, in fact, function to stimulate both civilian and military sectors and, importantly, bring forth needed economic growth that stabilizes supply chains.



“Europe has experienced recently increasing acknowledgement that EU defence and security is in need of an upgrade.”

“Countries are increasingly clustering with like-minded peers and undertaking initiatives in the absence of their foot-dragging European counterparts.”

“Dwindling financial resources, in the light of COVID19 pandemic, could serve as an additional wake-up call necessitating closer coordination of defence planning and capability sharing.”

Common Foreign and Neighbourhood Policy

The debate on EU foreign policy and the EU's role as a global actor has been an element of the EU integration process since the end of the Cold War, with flurries of interest always coinciding with crises. The result has been a heightened awareness of the inherent weakness of the EU to act as effectively (rapidly, precisely and with one voice) as other actors amid crises (e.g. the Balkan Wars, the Iraq War)^{xxxv}. Even though great-power competition has recently intensified, no considerable progress has been achieved in cementing a unified and consistent EU foreign policy approach. The divergence between EU governments in their foreign policy stances towards Venezuela and Libya in the past, for example, have underscored the continued inability of the EU to develop a common position on international issues, in the process undermining its position as a global actor.

Failure to unify has also been a discussion that has run parallel to the institutional evolution of the EU and the expansion of its competences accompanying successive Treaty reforms. The EU's Common Foreign Policy, which is part of the EU's Common Foreign and Security Policy (CFSP), was formalized by the Maastricht Treaty in 1991. Despite significant upgrades and improvements in the Treaty of Lisbon (2009), CFSP is still one of the least advanced 'common' policy areas and remains inter-governmental rather than supranational.

There are several reasons for this. First, there is a reluctance, on the part of Member States, to delegate more powers and share their authority in this area with Brussels. Second, Member States remain rather sceptical when it comes to the EU playing a magnified role on foreign policy action. Thirdly, owing to their different foreign policy priorities, Member States simply do not trust the High Representative to act on their behalf. Finally, the EU competences in external action are fragmented^{xxxvi}.

While there are several practical mechanisms of differentiated integration already in place in the EU Legal Framework that could enhance EU foreign policy effectiveness, they are not put into practice due to reasons states above. "Sleeping beauties" include: Qualified Majority Voting (QMV) procedure, constructive abstention mechanism and enhanced cooperation. Experience shows that instead of using formal instruments, Member States prefer creating informal smaller coalitions and coalitions of the willing to pursue their national foreign policy interests.

From political to geopolitical Commission

The new EU political cycle kicked off through a rebranding initiative, with Commission President Ursula von der Leyen stating she would lead a "geopolitical Commission" that aims to foster an ambitious, strategic, coherent and assertive approach towards EU engagement in the world^{xxxvii}. One of the six headline ambitions set out in its guidelines is to indeed enhance EU's role in the world (headline: "A Stronger Europe in the World")^{xxxviii}. It foresees the protection and promotion of EU interests and values, closer cooperation with neighbours and an updating of the multilateral system. Pertinent questions, however, concern the extent to which the new Commission will be able to overcome internal disagreements (among Member States and between Member States and Brussels) and the extent to which pre-COVID-19 plans can still be implemented in a post-pandemic environment.

The EU High Representative position is now held by former Spanish Foreign Minister Josep Borrell Fontelles, who is known for his realist and sometimes undiplomatic stances on foreign policy issues. Many experts considered his appointment as providing new hope for the re-launch of the EU Foreign and Security Policy. Already during

his European Parliament confirmation hearing, Mr. Borrell showed that his approach would be more decisive than that of his predecessor, stating that he would aim to develop a common European "world vision" rather than seeking a "lowest common denominator" approach to decisions. His proclamation that Europeans need to "learn the language of power" also resonated with eurooptimists. But what precise measures lurk underneath these statements and does the HRVP have sufficient power to promote such an ambitious agenda?

Despite the "geo-" prefix in the title of the new commission, Mr. Borrell did not receive an Executive VP position. The powerful portfolios of sanctions and defence industries were, moreover,



Composition of the Group "A Stronger Europe in the World"

CHAIR

Josep Borrell Fontelles
High Representative / Vice President

MEMBERS

Phil Hogan
Commissioner for Trade

Olivér Várhelyi
the Commissioner for Neighbourhood and Enlargement

Jutta Urpilainen
the Commissioner for International Partnerships

Janez Lenarčič
the Commissioner for Crisis Management

Source: The European Commission.

shifted to the portfolios of other Commissioners, automatically weakening the HR/VP position in coordination the EU approach^{xxxix}. And while the EU Commission proposed a 30% increase in the external action budget in the next MFF of 2021-2027, recent negotiation deadlocks and the unwillingness of Member States to increase their contributions might impinge on this target.

Apart from supporting the Commission President through the coordination of the external dimension of Commissioners' work, the HR/VR was appointed to chair the Commissioners' Group on a Stronger Europe in the World, which corresponds to one of the Commission's priorities.

Agreements and disagreements among Member States

The Lisbon Treaty, which entered into force in 2009, signified a crucial step towards the institutionalization and coherence of EU foreign policy. Despite the fact that the EU has become a more active foreign policy player, it has, nevertheless consistently failed to turn its economic power into foreign policy influence and has relied on pro-active powers like the UK and France to increase its effectiveness as a global actor^{xl}. Over the past 10 years, the EU's global influence has weakened due to competing national agendas and a lack of

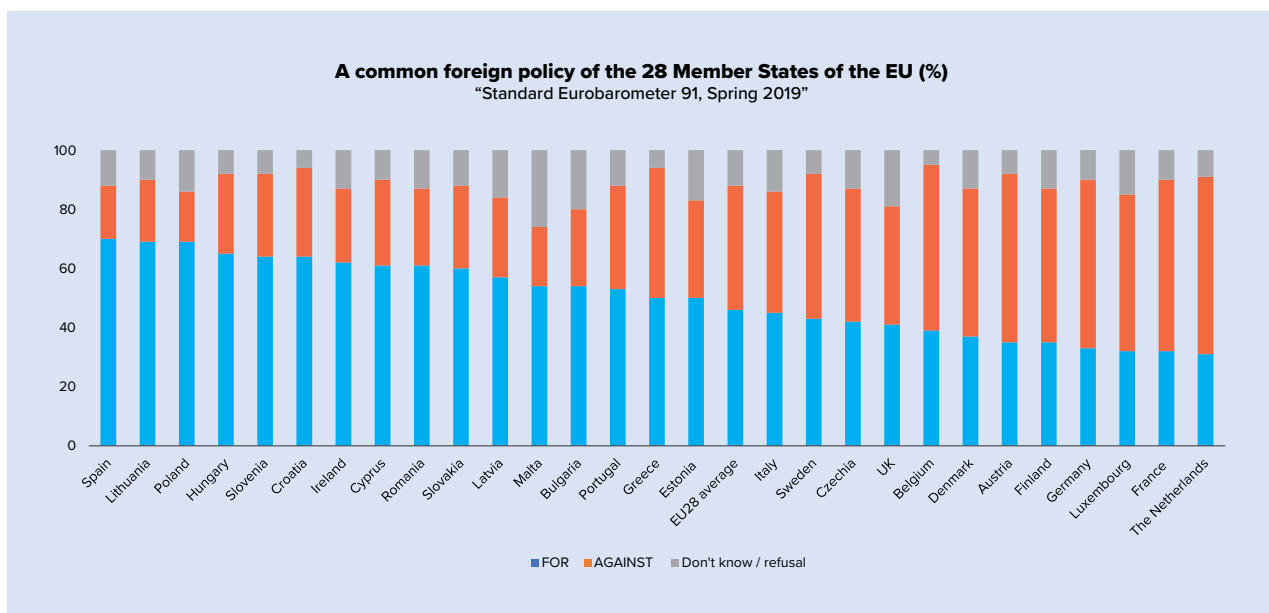
willingness to compromise. The result has been a lethargic and inefficient response to global challenges. Almost all Member States, however, agree that the EU could play a bigger role on the global stage and have shown that they can put their national interests aside and take a united stance when the situation demands it (e.g. EU unity on Russian sanctions and during Brexit negotiations).

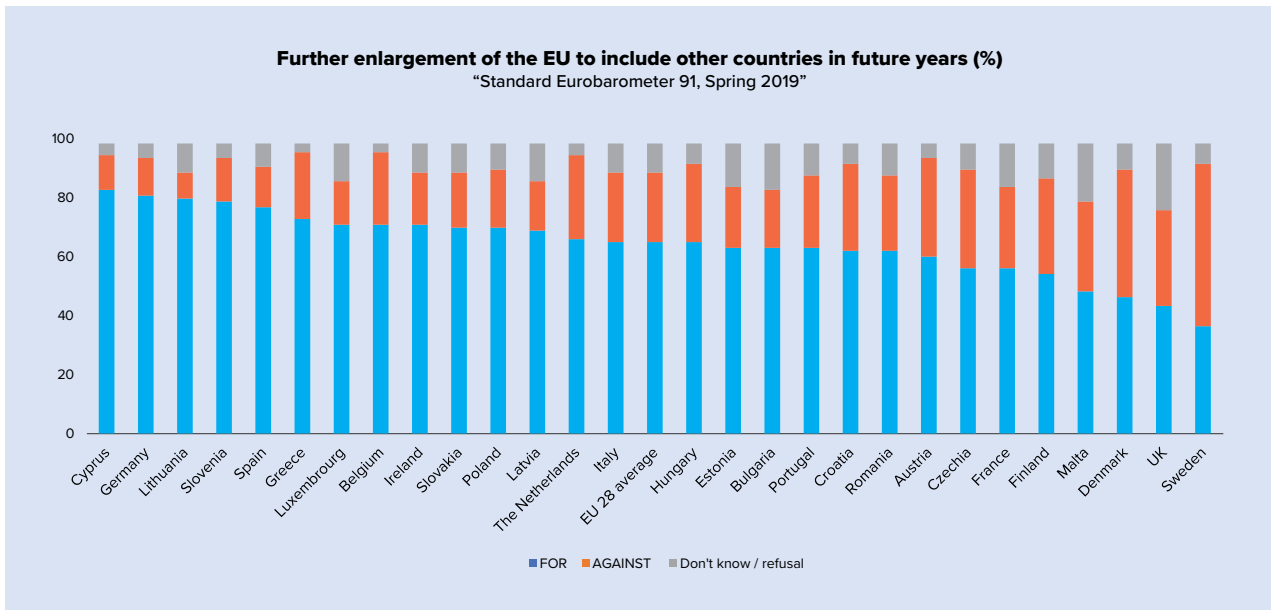
One of the key stumbling blocks towards achieving more efficiency in the area of EU foreign policy is the unanimous decision-making procedure. The European Commission has proposed extending Qualified Majority Voting (QMV) to three foreign policy and security issues, namely: civilian missions, sanctions and human rights. In order to pass a decision under QMV, 55% of Member States representing 65% of the total EU population need to be in favour. Even though this innovation would make it easier for the EU to be more consistent on the international scene and to react in a timelier manner to challenges emanating from its wider neighbourhood and beyond, Member States are not enthusiastic about this proposal. According to a confidential expert survey conducted by the Hertie School in late 2019, only six Member States are in favour of an extension of QMV to CFSP and France is the only Member State in favour of linking the extension of QMV to CFSP with QMV in EU tax policy. Eleven Member States (including the United Kingdom pre-

Brexit), meanwhile, are either sceptical, ambiguous or have not finalised their position^{xli}.

Other instruments of differentiated cooperation available like the constructive abstention mechanism and enhanced cooperation are also under-utilized^{xlii}. Practice shows that instead of using these formal instruments, Member States prefer creating informal smaller coalitions and coalitions of the willing to pursue their national foreign policy interests. This tendency was exemplified in the EU initiative to help secure a nuclear deal with Iran in 2015. The grouping of Britain, France and Germany (E3), in this particular case, played a critical role in brokering an agreement. Another example is the Normandy format (Germany, France, Ukraine, Russia) that was put in place to resolve the armed conflict in eastern Ukraine.

These two examples illustrate the potential of an approach based on the premise of 'those who want to do more, do more in foreign policy matters'. To make this politically viable, large Member States, however, need to make sure the formats are inclusive and that the concerns of small and "new" Member States, often apprehensive about being excluded from mini-lateral formats, are not side-lined^{xliii}. According to our expert poll (see country scorecards in annex), Bulgaria, Denmark, the Baltic states and Poland (especially in light of the fact that





Warsaw, notably, wasn't invited to join the Normandy Format in 2014 despite its engagement in solving the conflict in Ukraine) are afraid that their voices will not be heard.

Member States also differ on their levels of ambition in shaping EU foreign policy. The majority of Member States rather limit themselves to being vocal about only their own priorities without taking a more holistic approach. Member States failed to come to an agreement on providing the EEAS a consular role for precisely the same reasons. In many cases, furthermore, a consensus is lacking on speaking with one voice in international organizations (even though some exceptions like in the WTO and the UNFCCC exist)^{xlv}. While Germany, for example, has proposed on the EU having a permanent seat on the United Nations Security Council, France has rejected this call.

While EU governments are reluctant to share their foreign policy authority with Brussels, EU citizens increasingly support a common European foreign policy in a time of increasing geopolitical competition, as revealed in the June 2019 Eurobarometer survey^{xlv}. There is majority support for a common EU foreign policy in 27 of the 28 EU Member States, with two-thirds of Europeans overall in favour of a common European foreign policy and only 24% against.

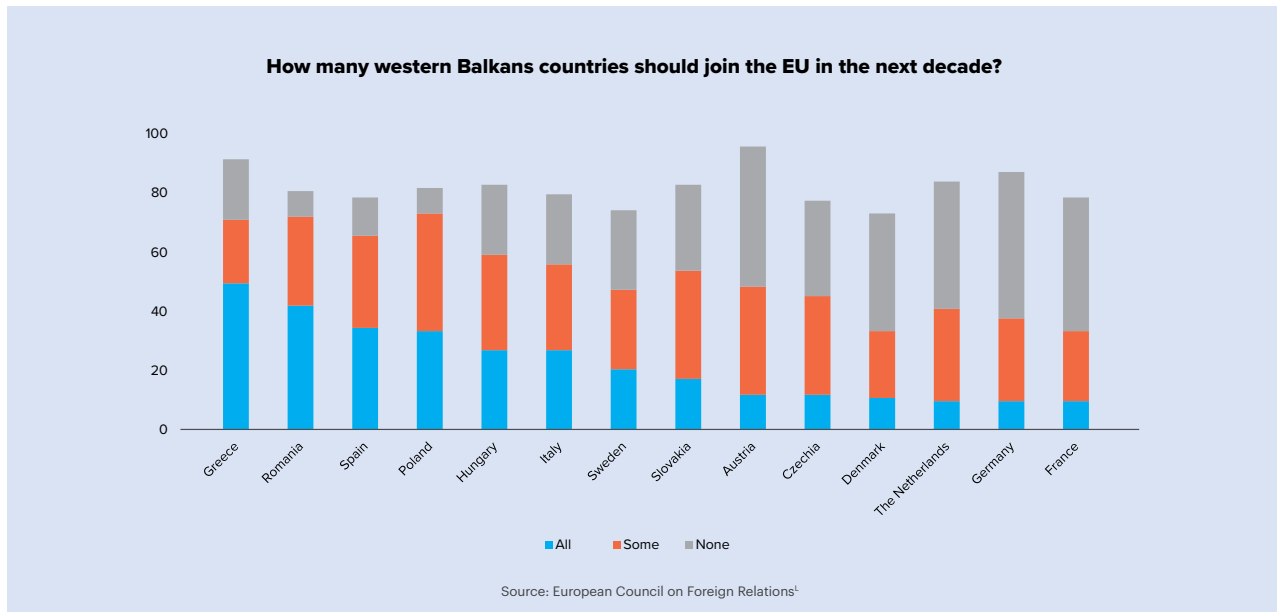
Nevertheless, despite these substantial figures of support, EU foreign policy is not considered to be one of the top five EU priorities at the moment. Foreign policy rather only took seventh place among ten political priorities for EU citizens, with 12% of mentions. Citizens are also divided on the topic of further enlargement of the EU, which is, up to now, has been the greatest achievement of EU foreign policy. Although there is majority support for future EU enlargement for the first time in 10 years, with 46% of all respondents supporting "further enlargement of the EU to include other countries in future years" and 42% opposing this policy, there is a wide gap observed between pro- and anti-enlargement countries. It is also worth mentioning that support for future EU enlargement is strong and stable in non-euro area countries. It is, meanwhile, the minority view in eurozone countries, though support has risen since autumn 2018 (43% in favour and 46% against, in comparison with 39% in favour and 51% against in autumn 2018).

Central and Eastern Europe Perspective

Central and Eastern European countries are in favour of EU unity when it comes to EU foreign policy. Our expert poll shows that only Croatia, Slovakia and Slovenia are in favour of differentiated cooperation in foreign policy (for more details, see the country scorecards

below). Similarly, to other Member States, CEE do not participate actively in shaping EU foreign policy. They rather limit themselves to being vocal only on their own priorities without taking a more holistic approach. Central and Eastern Europe are actively involved in shaping EU policy on, for example, relations with Russia, cooperation with Western Balkan countries and the Eastern Partnership. They have, however, offered minimal comment on EU efforts to improve ties with Latin America, East Asia and its southern flank, most notably the Mediterranean Union, or enhance mobility partnerships and civilian Common Security and Defence Policy missions in Africa.

There is no doubt that Central and Eastern European countries are among the main proponents of further enlargement of the EU (the Czech Republic being an exception here). On average, 59% of Central and Eastern Europeans would welcome new EU Member States, which is 13% above the EU average. Another study conducted by the ECFR revealed additional divergence between the EU Member States on their stance towards membership of the six Western Balkan countries in the EU^{xlvi}. Among the six countries, four have candidate status (Montenegro, Albania, Serbia and North Macedonia) and two (Bosnia and Herzegovina and Kosovo) are potential candidates.



While CEE countries have been traditional lobbyists of the EU enlargement towards the Western Balkans, opposition to (potential) Western Balkan membership is relatively high (30% - Czechia, 27% - Slovakia). And though the majority in all

CEE countries is still in favour of Western Balkan membership, this level of support is no longer sufficient, especially in light of divisions among EU Member States. This disaccord was indeed exposed last October when negotiations on the

opening of accession negotiations with Albania and North Macedonia were blocked by France and the Netherlands.

Possible scenarios for Common Foreign and Neighbourhood Policy



Significant scale down of EU foreign policy ambition



Things remain as they are: EU's role in the world declines



More European foreign policy

There are three scenarios facing Member States. One involves Member States working jointly towards empowering EU foreign policy (including permitting more mini-lateral formats or taking advantage of existing foreign policy instruments for differentiated integration), hence boosting EU influence on the international scene. Another though sees Member States failing to agree on a common agenda, resulting in a fragmented EU that is not able to shape foreign policy according to its preferences. Last one is that things

remain as they are. As a result, the EU's role in the world declines.

Significant scale down of EU foreign policy ambition

This scenario reflects a situation in which nationalist agendas prevail and disagreements over foreign policy issues lead to the disintegration of the EU. If an economic collapse were to follow the

COVID-19 crisis, EU Member States could become more self-centred and politically fragmented. The present East-West and North-South divides could intensify and competing national agendas on the foreign policy issues, including on the neighbourhood and enlargement policies, could paralyze the decision-making process.

This pessimistic scenario seems quite unrealistic. In light of the "most challenging crisis since the Second World

War” currently facing the EU and whose impact still remains unknown, there is a possibility though that the support of anti-establishment and anti-EU forces could be galvanized. These movements could rally against usual enemies that sit either in ideological and/or geographically opposing camps or the “Brussels bubble”^{XLVII}.

With an escalating Sino-American rivalry, US disengagement and an increase in Chinese assertive influence in some Member States, the EU might be forced to choose sides. This foreign policy decision, in turn, could become fatal for the future unity of the EU.

Things remain as they are: EU’s role in the world declines

This scenario would mean a preservation of the status quo, with the EU’s relevance in the global arena slowly but steadily declining. The number of global challenges has immensely increased in recent years. Despite this new normal, the EU has struggled to adapt and become a more agile actor.

Taking into account the small influence even the largest EU Member States have on the global arena in comparison to the growing global actors, such as China and the US (EU countries accounted for more than a third of the world’s GDP in 1960, but they are expected to represent only a tenth of global wealth by 2100), the Union can play an active role in the global governance and project its power, including in the neighbourhood, only if it acts together^{XLVIII}.

Given the disagreements between the two biggest Member States, France and Germany, on the future direction of the EU and their divergent foreign policy agendas, not to mention the departure of the UK, the EU’s strongest defence power and its third largest economy, the current situation is ever more challenging.

If Member States are not ready to subordinate their national foreign policy to the EU (through, for example, QMV), they should identify policy areas that

would unite them and avoid situations that could serve to further exacerbate existing divisions on foreign policy.

With growing instability in its neighbourhood, the EU should learn to act fast. It would be a dangerous illusion to believe that the EU has plenty of time to spare in the Western Balkans. China, Russia and Turkey, among others, are yearning, meanwhile, to extend their influence in the region. If the EU does not act more decisively, it will (further) lose its leverage in the region^{XLIX}.

More European foreign policy

In the face of growing global challenges and a broad public support for action, EU Member States could decide to commit to a more coherent and unified foreign policy. The debate on the introduction of the QMV system in foreign and security policy, under this scenario, would be renewed, with more countries brought on board with the aim of making the decision-making process more efficient without change to the existing treaties. Such a move would enable the EU to adopt tougher stances (e.g. introduction of sanctions) on assertive foreign powers, whose influence over even one Member State could lead to a veto of the entire process. By developing a European army, the EU would also provide itself with a tool to substantiate its foreign policy choices.

The Member States would also empower and entrust the HR/VP to lead the EU’s foreign policy approach, in coordination with national foreign ministries and agree within the next MFF to provide sufficient funding for external action activities.



“Almost all Member States agree that the EU could play a bigger role on the global stage. They have shown that they can put their national interests aside when the situation demands it (e.g. Russian sanctions, Brexit).“

“Practice shows that instead of using formal instruments, Member States prefer creating informal smaller coalitions and coalitions of the willing (E3, the Normandy format) to pursue their national foreign policy interests.“

“EU citizens increasingly support (two-thirds) a common European foreign policy in a time of increasing geopolitical competition.“

4.

Policy Recommendations

As institutional reforms, including treaty changes, are not on the table and Member States have not shown any appetite for delegating more sovereignty to Brussels, they will need to set priorities. Do they value EU unity or a more capable and agile EU facilitated by differentiated cooperation? The recommendations below aim at providing food for thought on how to benefit from a flexible model, without triggering irreversible fragmentation.

Economic Cooperation

✦ Prepare for uncertainty

The current pandemic, which will lead to an economic downturn in the euro area, is yet another strong reminder that the euro needs to be constantly safeguarded from internal and external pressures. The process of completing the EMU should not be derailed. More investment is needed in developing the banking and capital markets unions and further cohesion when it comes to jobs and economic growth. A re-evaluation of what means to have a healthy economy is one essential element needed to ensure adequate responses in time of uncertainty. Another component is the continued performance of stress tests on banks and fiscal policies even when times are good. There is finally a need to forge a reasonable compromise among Member States when it comes to finding a balance between fiscal discipline and government spending. Too much austerity, over the long-term, could lead to a collapse of health and social systems, whereas too much spending could threaten economies.

✦ Make the eurozone locally attractive

While the euro area is attractive due to its usually strong economic performance, there are still EU countries that are in no rush to join. One improvement to attract new eurozone members would be to enhance coordination between the EU institutions and eurozone members when it comes to who holds authority in decision-making and monetary contributions. This means introducing more flexibility (e.g. a separate eurozone budget). Another step should be communicating clearly an open-door policy of the euro area towards accepting

new members. The current perception that the euro area is a 'closed club' not only tarnishes the image of the eurozone but it also contributes to a loss of future economic opportunities.

✦ Re-evaluate the admission process to the eurozone

With ever-changing informal criteria and a lack of support from some eurozone members, there are flaws in the current eurozone accession process. The criteria should be appropriately reformulated in a manner that is stringent but also fair. A careful evaluation of the experiences from the previous financial crisis and the current COVID-19 situation could aid in the refining of membership conditions. In the meantime, once the new formal and informal criteria is introduced, there should be equal treatment to all applicants, with political factors minimally involved.

✦ Expand the global position of the euro

The euro currency clout should be augmented through a push for more euro-purchased commodities and for more national reserves, loans and deposits to be held in euros. While the currency is the second strongest in the world, it lacks the global appeal of the US dollar. The completion of the EMU and political stability in the eurozone and the entire EU will additionally strengthen the euro internationally.

Schengen Zone

✦ Complete the Schengen space

The Schengen system, as is the case with the eurozone, remains unfinished business. Common external border protections and the abolition of internal borders are in constant clash with the ambition of Member States to be fully in control of flows of people, especially third country nationals. In order to prevent disruptive arbitrary border checks introduced by some Member States, a degree of trust and a rules-based approach needs to be fostered. A mechanism to assess the decisions of Member States to set up temporary internal border checks, for example, should be established, ideally around the same time that COVID-19 related border controls are lifted by Member States.

✦ Re-evaluate the admission process and re-establish trust

A clear path should be provided for Bulgaria, Romania and Croatia to join the Schengen zone. These countries feel that are not being treated fairly in the accession process despite fulfilling all formal criteria. Critics have indeed argued that the admission bids of these countries have been obstructed not because of objective formal requirements but rather fear of mass immigration to the old Member States.

✦ Restore credibility

Member States need to focus on implementation of "boring" operational measures rather than on making grand statements and visions. The latter bring more political capital. But it's the former that deliver much needed progress and solutions. Carrying out Schengen reforms to include clear deadlines and justifications and to clarify further outstanding issues would help improve confidence and prevent erosion of the Dublin system. It would also restore the credibility of the EU Commission.

✦ Make Schengen fit to digital age but equally across the EU

Border controls and police cooperation increasingly rely on the integration of technological solutions. Not all countries have the administrative, financial and technological capacity to develop or integrate measures rapidly. EU funds and expert support mechanisms need to be available to facilitate cooperation. This includes the availability of expert support or equipment for Member States that require it, for example, in the areas of digital forensics, encryption, database maintenance, and surveillance.

Common Security and Defence Policy

✦ Keep in mind strategic needs and ambitions

While the economic downturn requires priority setting on spending, it would be devastating to neglect European defence and security needs altogether. The strategic environment that Europe finds itself in post-pandemic will not be any safer than it was before. Budgetary

constraints should be taken as a call to enhance European defence collaboration to save costs. At the same time, defence spending cannot be slashed to the bare minimum. Rebuilding defence institutions and capabilities would, in fact, prove even more expensive than maintaining and developing them in a consistent manner.

✦ **Enhance EU-NATO synchronization, cooperation and alignment.**

Most European countries will continue to see NATO as the main provider of security. Even if all current plans progress smoothly, the EU will not be able to become a security guarantor in the foreseeable future. There is rather significant space for further refinement of the division of roles between the EU and NATO. The EU should avoid duplicating NATO structures and processes and instead focus on areas where NATO lacks competencies – e.g. facilitating military mobility, strategic communications, certain elements of hybrid warfare, cybersecurity and civilian components.

✦ **Balance flexibility with cohesion and ensure engagement of all EU regions**

While multi-speed integration brings the benefits of flexibility and more agile action, it is important to avoid irreversible fragmentation. If France and South-oriented allies take the lead, a vast region of Central Europe will likely lose interest and trust in European security projects and will seek even stronger security guarantees from the US. This mistrust could subsequently potentially spill over to other domains of European integration. Participation in the E12 and other similar formats should be re-evaluated. Currently, even the most militarily capable countries from Central and Eastern Europe were not invited, sending the wrong political message.

Similarly, regional inclusion should be taken into consideration in the formulation of the EDF's priorities and projects. Smaller Member States might see the EDF as a vehicle for promoting the industrial interests of the larger states and exacerbating the disadvantages of smaller defence contractors.

✦ **Focus on delivery and implementation**

The EU should emphasize pragmatic projects that can deliver tangible and clear outcomes. The tendency to judge PESCO by the number of projects it churns out might come to be a counterproductive barometer. Instead, a smaller number of meaningful initiatives should be prioritized. The Trans-European Transport Network is emblematic of the added value that the EU can deliver⁴¹.

✦ **Stay open for third party participation**

Transatlantic tensions and acrimonious Brexit negotiations might tempt Europeans to exclude the US or the UK from European defence projects. That would be a mistake. Multi-speed and flexible integration should be used as a format in this context to include third party members. The EDF in particular should allow for third party participation, on a pay-to-play basis, where genuine mutual benefits are pursued by both sides.

Common Foreign and Neighbourhood Policy

✦ **Think globally, act in the neighbourhood**

If the EU aspires to be a geopolitical power and shape the rules of future global governance, it should start projecting its power and values and present a clear, predictable strategy for its immediate neighbourhood, especially in the aftermath of the COVID-19 crisis. The EU Member States should look for the policy areas that unite them and effectively communicate the benefits to their own citizens. For example, proponents of EU enlargement to the Western Balkans argue that further enlargement is in the EU's interests. The broader population in many Member States, however, see it as a threat to their own economic well-being. Furthermore, the EU strategy towards its immediate neighbours can also be seen as a stress test for the EU's ability to act as a global player. Other powers like China, Russia and Turkey are, in fact, yearning to extend their influence in the region. If the EU does not act more decisively, it will thus (further) lose its leverage.

✦ **Make use of Member States appetite for informal coalitions but ensure cohesion**

Under the current circumstances, it seems that the most promising way to advance EU foreign policy is to focus on the development of informal coalitions of willing states that manage particular foreign policy portfolios. Though this approach poses risks to the cohesion and integration of the EU if compromises are not found, the EU should seek ways to make it beneficial for the overall foreign policy of the EU. Creating a stronger CFSP – one that is more than the extended arm of national foreign policies – presupposes that the Member States are actually willing to subordinate their own national goals to a common European goal and enact necessary compromises.

✦ **Take advantage of already existing instruments**

The EU could focus on advancing its foreign policy agenda through the EU's existing legal framework by launching a communication campaign on the benefits accrued from differentiated cooperation. The constructive abstention instrument or proposed qualified majority have so far been underused. At the same time today, 11 out of 27 Member States are in favor of differentiated cooperation in the area of foreign policy, according to the recent GLOBSEC expert poll. Therefore, there is a room for honing an EU foreign policy that is more coherent on the international scene, one that promises timelier responses to the challenges emanating from its wider neighborhood and beyond. If the EU cannot reform itself, informal coalitions and coalitions of the willing operating outside the EU framework will prevail.

✦ **Take more advantage of European External Action Service**

If the Member States want to have a stronger EU voice in global affairs, they should invest more in the EEAS. The initiative of the new Commission to increase the EEAS budget by 30% in the new MFF, despite the current crisis, should not be undermined or become overshadowed by other priorities. If the EEAS does not receive a considerable increase in financial and human resources, it will remain trapped in a role that depends on the unanimous acceptance of Member States.



“If there is one consensus between eurozone members and European institutions, it is that a strong and competitive euro equates to a more vibrant and competitive economic landscape across the EU”

“The future of the eurozone now stands at the heart of today’s debate on differentiated integration. Bold proposals have indeed been put forward to deepen integration between the 19 current members and institutionalise their power.”

“As the COVID-19 pandemic exerts a heavy toll on the health, social and economic systems of all eurozone members... disagreements continue to persist both among euro area countries and institutionally... There is a risk that Member States will squander an opportunity for deeper integration in the euro area.”

“If the eurozone deepens its integration, with its economic and financial power, it would place those EU countries that are not members in an increasingly difficult political position if they wish to maintain influence.”



5.



Country Scorecards

Austria



1995

Year of accession

Yes

Eurozone member

Yes

Schengen member

Yes

Participating in PESCO

Yes

Member of European Public Prosecutor's Office

No

Member of European Intervention Initiative



Positive image of the EU (%)



Support for the euro (%)



Support for free movement of EU citizens (%)



Support for CDSP among EU Member States (%)



Support for CFSP of all EU Member States (%)



Support for enlargement of the EU (%)

Source: National Report, Standard EUROBAROMETER 92 December 2019, the European Union institution and agencies⁵⁰.



Is Austria in favour of flexible modes of cooperation in the EU?

Yes

Austria is willing to support flexible modes of cooperation in the EU on a case by case basis and where it suits the ruling coalition in government. This includes the policy areas, for example, of migration and climate change. Despite being a neutral country, interestingly, Vienna is also willing to participate in the PESCO and the “Civilian Compact” frameworks. The country recognizes that if Europe wants to be powerful, it also has to be flexible. This is certainly, at least, true in certain policy areas. The Austrian government indeed generally supports what is to become the fourth model of the White Paper on the Future of Europe “Doing less more efficiently”. The principle of subsidiarity is repeatedly stressed therein.

When it comes to policy areas such as consumer and employment protections, the economy, the environment, border security, and migration, Vienna wants

to uphold common standards that are binding on all Member States. This is especially the case with respect to the Dublin Agreement (the Austrian government leaves open the possibility of sanctions against Member States that fail to comply with the agreement). The government, nevertheless, differentiates between the issue of asylum and migration more generally. For the latter, Vienna is seeking to develop solutions through the formation of strategic partnerships with the EU and beyond. These partnerships could be beneficial, for example, when it comes to negotiating repatriation agreements – these are premised on coalitions of the willing rather than on reaching consensus with all EU Member States.

With regard to foreign policy, Vienna is a proponent of the EU speaking with one voice and an advocate for a common EU seat on the UN Security Council. The country is also lobbying for a swift EU accession negotiation process for the Western Balkans, as long as the countries comply with the Copenhagen Criteria. Even if there is debate on the feasibility of other forms of cooperation, besides membership, with these countries, the disagreements should not hinder the overall process of accession. This approach, overall, seems to indicate a certain inclination towards flexibility as long as the Austrian commitment to enlargement is met.



“Austria is willing to support flexible modes of cooperation in the EU on a case by case basis. The country recognizes that if Europe wants to be powerful, it also has to be flexible”

In policy areas of less importance (e.g. the financial transaction tax which has previously received support), the Austrian government seems intent on, at the very least, not obstructing closer cooperation between other Member States, even when Vienna itself doesn't participate. If certain initiatives, moreover, align with the interests of the Austrian government and yet don't achieve a European consensus, like the European Public Prosecutor's Office's case, flexible integration will be supported.

Belgium



1952

Year of accession

Yes

Eurozone member

Yes

Schengen member

Yes

Participating in PESCO

Yes

Member of European Public Prosecutor's Office

Yes

Member of European Intervention Initiative



Positive image of the EU (%)



Support for the euro (%)



Support for free movement of EU citizens (%)



Support for CDSP among EU Member States (%)



Support for CFSP of all EU Member States (%)



Support for enlargement of the EU (%)

Source: National Report, Standard EUROBAROMETER 92 December 2019, the European Union institution and agencies.



Is Belgium in favour of flexible modes of cooperation in the EU?

Yes

Belgium's preference is to deepen integration among all 27 Member States. Cooperation in smaller groups is, nevertheless, acceptable as a sub-optimal outcome if it proves to be the only way forward. For Europe to be more powerful, furthermore, it also needs to be able to act more resolutely – flexibility is not necessarily the answer. Differentiation, importantly, must be inclusive, i.e. the aim must always be to, ultimately, convince all Member States to join. Possible areas of differentiated cooperation include: defence, foreign policy (but avoiding a “directoire”) and social policy.



“Belgium’s preference is to deepen integration among all Member States. Cooperation in smaller groups is, nevertheless, acceptable as a sub-optimal outcome if it proves to be the only way forward.”

“For Europe to be more powerful, furthermore, it also needs to be able to act more resolutely – flexibility is not necessarily the answer.”

“Differentiation, importantly, must be inclusive, i.e. the aim must always be to, ultimately, convince all Member States to join. “

Bulgaria



2007

Year of accession

No

Eurozone member

No

Schengen member

Yes

Participating in PESCO

Yes

Member of European Public Prosecutor's Office

No

Member of European Intervention Initiative



Positive image of the EU (%)



Support for the euro (%)



Support for free movement of EU citizens (%)



Support for CDSP among EU Member States (%)



Support for CFSP of all EU Member States (%)



Support for enlargement of the EU (%)

Source: National Report, Standard EUROBAROMETER 92 December 2019, the European Union institution and agencies.

Is Bulgaria in favour of flexible modes of cooperation in the EU?

Yes and No

For Bulgaria, the concept of flexible modes of cooperation within the EU underlines a mismatch between statements and actions. As a newer EU member coming from Eastern Europe and still far behind the level of economic development of older EU members, Bulgaria (both its government and society) often 'speaks' about the danger of two-speed Europe. This concern is, in particular, associated with the possible creation of a core and periphery. There is an acute feeling within society that the country is not seen as an equal member of the EU and might be all too easily cast aside as unimportant actor. At the same time, the actions pursued by the Bulgarian government in different areas suggests that the country is willing to participate in various 'clubs,' e.g. Schengen and the eurozone. While domestically, flexible cooperation is consequently

not presented as the ideal outcome for Bulgaria, externally the country is, in fact, actively pursuing deeper integration in some areas where all EU members are not necessarily involved.

On the whole, based on statements of the Bulgarian government, there is a preference for Europe to move in a unified manner, rather than explore more flexibility. Differentiated cooperation should be pursued not as a rule of thumb but only when absolutely necessary. And in those particular cases, to avoid being left behind, Bulgaria should actively work to be part of the core cooperating members. While Bulgarians show among the highest level of pro-European sentiment and recognize the benefits of membership, their immediate concern is not necessarily whether Europe becomes a more powerful actor. A more salient priority is rather for the country to achieve the status of being an equal member in the EU.

Currently, Sofia is seeking to become a member of the eurozone and Schengen areas. Both mechanisms, while originally intended to cover all members of the EU, are emblematic of how differentiated cooperation functions in the Union. Bulgarian participation in both institutions has been an unwavering priority for the country. Being on the outside, looking in, Bulgaria often experiences the negative ramifications of two-speed Europe

first-hand. Furthermore, the country is a proponent of a strong common foreign policy, understanding that its size and clout is simply not enough to have a voice on its own.

On some specific issues, moreover, Bulgaria exhibits a preference for flexible modes of cooperation. This was the case, for example, with Europe's new migration policy. During its Council presidency, the Bulgarian government presented a policy draft without 'equal for all' measures. It prompted criticism and demonstrated that a common migration policy might not be currently obtainable.

Bulgaria is, overall, struggling with articulating a clear vision when it comes to the incorporation of flexible modes of cooperation in the EU. While domestically there are warnings against two-speed Europe, in reality, Sofia is actively participating within the framework of differentiated integration in a number of areas. With more flexibility being proposed within the EU as a tool for strengthening the bloc, it is likely that Bulgaria will have to choose its level of involvement in more and more policy areas.

Croatia



2013

Year of accession

No

Eurozone member

No

Schengen member

Yes

Participating in PESCO

Yes

Member of European Public Prosecutor's Office

No

Member of European Intervention Initiative



Positive image of the EU (%)



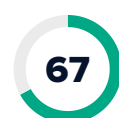
Support for the euro (%)



Support for free movement of EU citizens (%)



Support for CDSP among EU Member States (%)



Support for CFSP of all EU Member States (%)



Support for enlargement of the EU (%)

Source: National Report, Standard EUROBAROMETER 92 December 2019, the European Union institution and agencies.



Is Croatia in favour of flexible modes of cooperation in the EU?

No

Croatia is a proponent of the incorporation of flexible modes of cooperation in the EU. This is exemplified, for example, in the area of migration where the country has itself demonstrated malleability in its position. While Croatia is in principle against open borders and illegal migration, it has also proven willing to take in some migrants, especially children. In foreign policy, meanwhile, compared to Eastern Europe as a whole, the country is not as rigid on Russia. Although Croatia has condemned Russian actions in Ukraine, it has also sought to boost economic cooperation with the country.

This Croatian support for flexible modes of cooperation holds as long as the respective measures don't undermine EU cohesion. The decision making process of the EU also needs to be transformed to make it faster and more effective but not

at the cost of small countries like Croatia. Cohesion and solidarity need to remain at the core of EU integration and the leadership of larger countries should not exert undue pressure on small countries to adopt policies that they don't find appropriate.

Croatia wants the EU to be powerful and to have a stronger say in the world, but is at the same time wary that a multi-tier Europe could put it on the periphery of integration. Croatia, conversely, is aiming to be part of the European core and seeking to avoid the creation of a second league of Eastern European countries. Considering the scenarios for the future of Europe, Croatian leaders have reiterated their determined opposition to the creation of multi-speed or multi-tier Europe. Croatia believes that any reflection and discussion on EU's future must be in the format including all Member States. This is why Croatia is lobbying to enter Schengen and the eurozone, aspiring to join both within the next 2-3 years. Opposition to migration and even to joining the eurozone, however, is growing within the population and among some political parties. It consequently remains to be seen how these attitudes will play out in the country's general election to be held in the second half of this year.

Differentiation is needed as the EU does not share a common position on most

issues, particularly migration, foreign policy, and defence. Croatia is a staunch supporter of NATO and does not believe an EU army can replace it. At the same time, however, the country participates and supports initiatives like PESCO and the Central European Defence Cooperation. It also participates in many EU managed operations. Differentiation is acceptable but the creation of different levels of EU integration is not. Croatia is also a staunch proponent of cohesion policy and believes that it is a pillar of EU integration that functions to bridge the gap between old and new Member States. This is why Croatia, as the youngest EU Member State, supports the Friends of Cohesion group.



“Croatia is aiming to be part of the European core and seeking to avoid the creation of a second league of Eastern European countries.”

Cyprus



2004

Year of accession



Positive image of the EU (%)

Yes

Eurozone member



Support for the euro (%)

No

Schengen member



Support for free movement of EU citizens (%)

Yes

Participating in PESCO



Support for CDSP among EU Member States (%)

Yes

Member of European Public Prosecutor's Office



Support for CFSP of all EU Member States (%)

No

Member of European Intervention Initiative



Support for enlargement of the EU (%)

Source: National Report, Standard EUROBAROMETER 92 December 2019, the European Union institution and agencies.

Is Cyprus in favour of flexible modes of cooperation in the EU?

Yes and No

Cyprus takes the view that the European Union should move towards the same shared goals at the same speeds, fearing that differentiation will lead to core-periphery divisions. To put it simply, Cyprus, similar to other small EU countries, is sceptical when it comes to a Europe of different speeds. The Brexit referendum, in the eyes of Cyprus, indeed served as a wakeup call on the need to safeguard a united EU.

At the same time, Nicosia has decided to participate in existing mechanisms and formats of differentiated cooperation, including the eurozone, PESCO (even if it is not able to deploy significant numbers of troops or allocate large sums of resources to defence), the European Public Prosecutor's Office, the European Unitary Patent, and the Property Regimes for International Couples. Cyprus,

moreover, is a candidate country to join Schengen, aspiring to accede as soon as feasible (the political division of the island complicates this issue). Cyprus is also inclined to support completion of eurozone integration, an achievement that Nicosia believes would strengthen its efficiency and the broader EU standing.



“Cyprus, similar to other small EU countries, is sceptical when it comes to a Europe of different speeds.”

“At the same time, Cyprus forms part of the eurozone, PESCO, the European Public Prosecutor's Office, the European Unitary Patent, and the Property Regimes for International Couples.”

“Moreover, is a candidate country to join Schengen, aspiring to accede as soon as feasible.”

Czech Republic



2004

Year of accession

No

Eurozone member

Yes

Schengen member

Yes

Participating in PESCO

Yes

Member of European Public Prosecutor's Office

No

Member of European Intervention Initiative



Positive image of the EU (%)



Support for the euro (%)



Support for free movement of EU citizens (%)



Support for CDSP among EU Member States (%)



Support for CFSP of all EU Member States (%)



Support for enlargement of the EU (%)

Source: National Report, Standard EUROBAROMETER 92 December 2019, the European Union institution and agencies.



Is Czech Republic in favour of flexible modes of cooperation in the EU?

Yes and No

The Czech Republic has never been renowned for presenting an unambiguous position and vision when it comes to the future of European integration or its own role in it. Its stances have regularly oscillated depending on the individuals and parties leading the country - with varying degrees of Euroscepticism, yet also a consistent preference for intergovernmental cooperation. The country's representatives have traditionally been sceptical about two/multi-speed integration in the EU. This is mostly, however, with respect to the creation of exclusive clubs, out of fear of being left out, rather than opposition to the principle of being able to choose only certain aspects of integration to participate in. The wording seems to be key here. Two-speed integration is a no-go, multi-speed integration suspicious, and flexible not so scary. Enhanced cooperation and the creation of alternative European "cores" outside

the eurozone, meanwhile, are seen as highly preferable. The central position of Czech representatives towards flexible arrangements is that cooperation must always remain open for other states to join in and the conditions for membership should not change significantly. This, in fact, is essentially one of the problems identified with the country's prospective eurozone membership. And it is also why the idea of flexible cooperation is seen as favourable over achieving a more efficient European Union through extension of Qualified Majority Voting (QMV) into new topics and fields. The idea of being outvoted, such as in the case of compulsory migration quota, seems to be the ultimate nightmare of the current Czech administration.

The emphasis on flexibility differs from topic to topic. The Czech Republic has even postponed public debates on joining the eurozone and downplayed its importance to the European project. The country, however, was a keen proponent of enhanced cooperation in defence (PESCO) and supported the establishment of the European Public Prosecutor's Office. During the debate on migration, the Czechs were infamously among countries insisting that all decisions be on a voluntary – and national - basis while simultaneously criticising the EU for inaction. The same paradox can be observed with respect to Frontex – the Czech Republic's core message is a call to strengthen the external border of the EU, yet without supporting more funding for

Frontex. The effectiveness of the EU, as such, is therefore always playing second fiddle to the (perceived) national interest. The Schengen Area, on the other hand, is seen as a crucial part of the EU and the Czech Republic is a vocal advocate for the membership bid of the Balkan EU members. The Czech position towards flexible cooperation, in other words, follows a simple pattern: "let us choose what we want and but don't leave us behind where we don't feel like joining."



"Czech Republic has traditionally been sceptical about two/multi-speed integration. This is mostly, however, with respect to the creation of exclusive clubs, out of fear of being left out, rather than opposition to the principle itself."

Denmark



1973

Year of accession



Positive image of the EU (%)

No

Eurozone member



Support for the euro (%)

Yes

Schengen member



Support for free movement of EU citizens (%)

No

Participating in PESCO



Support for CDSP among EU Member States (%)

No

Member of European Public Prosecutor's Office



Support for CFSP of all EU Member States (%)

Yes

Member of European Intervention Initiative



Support for enlargement of the EU (%)

Source: National Report, Standard EUROBAROMETER 92 December 2019, the European Union institution and agencies.

Is Denmark in favour of flexible modes of cooperation in the EU?

Yes and No

Denmark is in a curious position regarding multi-speed Europe as this is a country with the highest number of opt-outs from common policies, including the eurozone, the Common Security and Defence Policy (CSDP) and the area of freedom, security and justice (AFSJ). Despite benefiting from these opt-outs, the country doesn't hold a sympathetic view towards the multi-speed Europe concept. Copenhagen would, on the contrary, rather maintain the current status quo of integration. In light of developments and the pressure exerted by some Member States to move forward with European integration, in particular after Brexit, Denmark realises that preserving the status quo is, nonetheless, impossible.

When it comes to the future of European integration, Denmark finds itself stuck between two ambitions. One - to be at the

core of the EU where it can safeguard the best conditions for itself. The second - to freeze integration in its current state. As Danes realise the latter is in contradiction with the former, the conclusion is to buck pass, until further decisions at the EU level make the situation less ambiguous. The Danish position can, therefore, be termed as rather hesitant in nature. Since Denmark participates intensively in differentiated cooperation already, its rejection of a multi-speed approach, though, could be challenged by other Member States as lacking credibility.

Given the Danish opt-outs, Denmark is virtually excluded from several areas of flexible cooperation, including the defence agenda, the monetary union, and legal affairs, and does not have the option to decide on participation on a case by case basis. On the other hand, Denmark is a part of Schengen and could possibly participate in the areas of migration and asylum policy. Denmark traditionally uses referendums to consult its population on major EU questions. The opt-outs – and their revisions – have, in fact, been reviewed in referendums in the past. Consequently, it is possible that a differentiated cooperation agenda would need to pass through a popular vote before being approved.

“Denmark finds itself stuck between two ambitions. One - to be at the core of the EU where it can safeguard the best conditions for itself. The second - to freeze integration in its current state.”

Estonia



2004

Year of accession

Yes

Eurozone member

Yes

Schengen member

Yes

Participating in PESCO

Yes

Member of European Public Prosecutor's Office

Yes

Member of European Intervention Initiative



Positive image of the EU (%)



Support for the euro (%)



Support for free movement of EU citizens (%)



Support for CDSP among EU Member States (%)



Support for CFSP of all EU Member States (%)



Support for enlargement of the EU (%)

Source: National Report, Standard EUROBAROMETER 92 December 2019, the European Union institution and agencies.



Is Estonia in favour of flexible modes of cooperation in the EU?

Yes and No

Estonia's EU policy puts a strong emphasis on unity. Consequently, it prefers uniform cooperation in the EU and for the bloc to move ahead with integration with all Member States on board. More broadly, as a small country situated on the border of the Euro-Atlantic community, next to an assertive large neighbour, unity of the transatlantic community is a key priority for Estonian foreign policy and security interests. Estonia supports EU and NATO complementarity, with NATO providing a hard security guarantee and the EU primarily supporting economic development. Within this model, the EU does, nevertheless, also enhance security in a broad sense and supplement NATO in the area of defence.

Estonia doesn't endorse the view that Europe needs to move ahead with

integration at different speeds if it wishes to become more powerful. However, multi-speed integration is already a reality with regard to the eurozone, Schengen and defence cooperation. Although Estonia isn't a proponent of differentiation, it has revealed a strong preference for participating in major initiatives even when not all Member States have joined. It acceded to Schengen and the eurozone as soon as it was possible (respectively in 2007 and 2011). It is also participating in Permanent Structured Cooperation (PESCO) on defence. When a large number of Member States moves forward with deepening cooperation, Estonia wants to avoid being excluded.

Estonia, furthermore, has joined some initiatives outside the EU framework when it has turned out to be impossible to pursue them from within the EU. It was notably among the first group of countries to join the French-led European Intervention Initiative. This decision was based on a pragmatic calculation about the importance of France as a leading European power in the fields of security and defence. Estonian diplomacy nurtures good connections and access to major European capitals as an important channel for influencing EU policies. A flexible approach to differentiated integration is in line with such a policy. Perhaps Estonia's approach can best be called **flexible unity**.



“Estonia, furthermore, has joined some initiatives outside the EU framework when it has turned out to be impossible to pursue them from within the EU.”

Finland



1995

Year of accession



Positive image of the EU (%)

Yes

Eurozone member



Support for the euro (%)

Yes

Schengen member



Support for free movement of EU citizens (%)

Yes

Participating in PESCO



Support for CDSP among EU Member States (%)

Yes

Member of European Public Prosecutor's Office



Support for CFSP of all EU Member States (%)

Yes

Member of European Intervention Initiative



Support for enlargement of the EU (%)

Source: National Report, Standard EUROBAROMETER 92 December 2019, the European Union institution and agencies.

Is Finland in favour of flexible modes of cooperation in the EU?

Yes

In Finland, recent governments seem to have held relatively similar stances on the concept of differentiated integration. While unified integration is the country's preference, if that is not possible, the country views multi-speed integration as feasible. When multi-speed integration is pursued, Finland, nevertheless, deems it important that treaties are complied with and doors be left open to all countries in all phases of the process.

Finland, for its own part, will participate in various formats and EU projects when it is justified for national interest with decisions being made on a case by case basis. The government has not specified how much and in what areas differentiation would be welcome. However, Finland is already part of the eurozone and the Schengen Area. Helsinki, moreover, has also been actively involved in promoting certain

projects, including the establishment of the Permanent Structured Cooperation (PESCO) in defence. Former Prime Minister Juha Sipilä, in fact, repeated on several occasions that both Finland and France advocated for the initiative. Finland, apparently, also wanted the PESCO Council decision to include a reference to Article 42(7) of the Treaty on European Union, that is, the mutual assistance clause.

In this manner, Finland's aim was to ensure that PESCO be connected to deeper European integration in defence policy. This is noteworthy for a militarily non-aligned state that followed a neutrality policy before joining the EU. Finland also participated early on in the European Intervention Initiative (EII). The country, in fact, has generally been more active in different EU projects (i.e. the eurozone, EII) than Sweden, which joined the EU at the same time in 1995.

Finland has, nonetheless, not always supported the participation of all countries in differentiated cooperation. For example, it was reported in 2011 that Finland and the Netherlands prevented Romania and Bulgaria from joining Schengen (this exclusion of the two countries remains the case today).

In addition to formal modes of differentiated integration stipulated in the treaties, Finland has also been involved

in coalitions of the willing. The decision to take in 175 minors from Greek refugee camps is an illustrative example of this. Finland, furthermore, has also been ready to pursue cooperation outside the European Union. For example, it actively participated in the establishment of the non-EU affiliated European Centre of Excellence for Hybrid Threats (Hybrid CoE), headquartered in Helsinki. Finland has also supported opening up cooperation platforms to non-EU countries in the model of, for example, the Schengen Area in which the Nordic countries of Norway and Iceland are members.



“While unified integration is the country's preference, if that is not possible, the country views multi-speed integration as feasible.”

France



1952

Year of accession

Yes

Eurozone member

Yes

Schengen member

Yes

Participating in PESCO

Yes

Member of European Public Prosecutor's Office

Yes

Member of European Intervention Initiative



Positive image of the EU (%)



Support for the euro (%)



Support for free movement of EU citizens (%)



Support for CDSP among EU Member States (%)



Support for CFSP of all EU Member States (%)



Support for enlargement of the EU (%)

Source: National Report, Standard EUROBAROMETER 92 December 2019, the European Union institution and agencies.



Is France in favour of flexible modes of cooperation in the EU?

Yes and No

France has been for a long time one of the main proponents of encouraging flexibility in terms of EU cooperation and integration. It sees the rapid succession of enlargements from 1995 to 2013 as hasty and having made Europe significantly less governable. The country, moreover, holds that flexibility in policy is a sine qua non condition for Europe to function. As enlargement has diluted its power in the EU, France hopes that a multi-speed Europe will enable countries desiring deeper integration on some issues to consolidate a European hard core of which it will be part.

To put it simply, France mostly agrees in the multi-speed Europe project, at least when it comes to policy. French President Emmanuel Macron has noted numerous times that the reality of the European Union (with Schengen and the eurozone

among other institutions) is already that of a multi-speed Europe and this design feature needs to be continued and even amplified.

Defence and foreign policy, key areas where Paris is seeking to set the agenda, are certainly spheres where France also wants to see more “enhanced cooperation”. On currency and Schengen, the French are content with the status quo, i.e. a multi-speed Europe, and don't currently perceive it as in their interests to move towards uniformization.



“Defence and foreign policy, key areas where Paris is seeking to set the agenda, are certainly spheres where France also wants to see more “enhanced cooperation”.”

“France holds that flexibility in policy is a sine qua non condition for Europe to function.”

“Paris hopes that a multi-speed Europe will enable countries desiring deeper integration on some issues to consolidate a European hard core of which it will be part.”

Germany



1952

Year of accession

Yes

Eurozone member

Yes

Schengen member

Yes

Participating in PESCO

Yes

Member of European Public Prosecutor's Office

Yes

Member of European Intervention Initiative



Positive image of the EU (%)



Support for the euro (%)



Support for free movement of EU citizens (%)



Support for CDSP among EU Member States (%)



Support for CFSP of all EU Member States (%)



Support for enlargement of the EU (%)

Source: National Report, Standard EUROBAROMETER 92 December 2019, the European Union institution and agencies.

Is Germany in favour of flexible modes of cooperation in the EU?

Yes

Europe is strong when it is united. In order, though, to be successful and master problems, Europe also has to be ambitious. Here, the procedure of “enhanced cooperation” can be a promising approach to avoid dead ends. One example of “enhanced cooperation” is the establishment of the European Public Prosecutor. This is also a practical application of the so-called “locomotive theory” where an example is created (in the case of “enhanced cooperation” by a group of at least nine EU Member States) and is subsequently adopted by others.

The concept of multi-speed Europe is often misunderstood. In order to face international competition, Europe must have aspiring goals and at the same time preserve cohesion. Yet the smallest common denominator limits the scope for action. It must be possible, therefore, for individual EU Member States to forge ahead on particular issues so that Europe can speed up. This flexibility permits the

EU to react to current challenges and demonstrate its capacity to act even when not all Member States are on board.

Initiatives must, however, be open to all countries (no closed clubs) even if some Member States do not wish to or cannot initially participate in the first instance. A Europe of different speeds, therefore, does not mean a divided Europe. The eurozone is often cited as an example for multi-speed Europe. The overall vision of the eurozone, however, is that all EU Member States join it in the future. It is important to underline the fact that the eurozone must take united stances and within the euro area different speeds should not be possible. At the same time the Economic and Monetary Union (EMU), a kind of “sibling” of the eurozone, is a good example of the challenges facing a multi-speed Europe. The EMU is based on a common monetary policy, and, simultaneously, an individual fiscal policy. To strengthen the eurozone, this multi-speed ambition is not helpful as the strength of a common policy area is the united capacity to act. We should take this as an indicator that a different speed Europe is possible but that we, nonetheless, need one speed in essential policy areas (like in the case of EMU). While discussing differentiated integration, it is important to remember that first and foremost it should have a common direction towards fostering a better Europe. All EU Member States are, for example, invited to become part of the Schengen Area. However, we need to make sure that basic conditions

are always being met. Differentiation is possible in those policy areas that do not involve or are not “affected” by all Member States of the EU. Nevertheless, the differentiation within these multi-speed levels should be coherent (see the example of the EMU). It is especially important to consider those policy areas that have the potential to impact several Member States. A closer look inside these particular policy areas crucial to avoid rules in different Member States that are not consistent with one another. Crucial, further yet, is that inalienable issues, like the “four freedoms” of the EU or the rule of law, are recognized and heeded. In these areas, a multi-speed Europe is not acceptable.

“It must be possible (...) for individual EU Member States to forge ahead on particular issues so that Europe can speed up. This flexibility permits the EU to react to current challenges (...).”

Greece



1981

Year of accession

Yes

Eurozone member

Yes

Schengen member

Yes

Participating in PESCO

Yes

Member of European Public Prosecutor's Office

No

Member of European Intervention Initiative



Positive image of the EU (%)



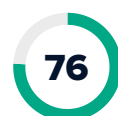
Support for the euro (%)



Support for free movement of EU citizens (%)



Support for CDSP among EU Member States (%)



Support for CFSP of all EU Member States (%)



Support for enlargement of the EU (%)

Source: National Report, Standard EUROBAROMETER 92 December 2019, the European Union institution and agencies.



Is Greece in favour of flexible modes of cooperation in the EU?

Yes

Greece advocates in favour of deeper integration as a matter of principle. It, generally, isn't critical of the concept of flexible modes of cooperation in the EU if such initiatives can prove effective in addressing challenges. The country is currently putting its own house in order following the implementation of three painful memoranda of understanding over a period of ten years. Athens is consequently on the path to returning to the core of Europe and believes it can play an active role in the EU (even when coalitions of the willing need to be formed). Greece, for example, was one of the first countries that committed to the ambitious European vision for a climate-neutral economy by 2050.

When required, Europe can move at different speeds and different levels. What matters more is efficiency and increases

in funding to achieve better results. Prime Minister Kyriakos Mitsotakis, for example, has lobbied for higher contributions from Member States in negotiations over the 2021-2016 Multiannual Financial Framework. Greece's central position is that the eurozone should be at the core of the European project and it – on the whole – agrees with reform proposals put forward by French President Emmanuel Macron. Greece, for instance, belongs to the nine EU Member States that co-signed a letter calling for the issuing of corona bonds during the COVID-19 crisis. It also dynamically participates in several PESCO initiatives.

The sector where Greece remains sceptical about differentiated cooperation is in the management of the refugee crisis. Although it sometimes has no choice but to accept European solutions in the framework of coalitions of the willing, it considers the 'flexible solidarity' unfair. The 'flexible solidarity' in that regard reflects a biased attitude vis-à-vis Athens, a country undertaking a heavy burden on accounts of its geographical position. The closure of borders by some Member States during the refugee crisis was stridently criticized by Greece and threats for it to be expelled from the Schengen zone incited consternation. The country instead prioritizes the development of a common European asylum policy. The incumbent prime minister believes it is unacceptable to have countries enjoying

access to the Schengen Area – and the free movement of citizens that comes with it – but obstinately refusing to show even the slightest sign of solidarity and engagement in addressing this issue. The current closure of borders during the pandemic, on the other hand, represent extraordinary and necessary measure to guarantee public health.



“When required, Europe can move at different speeds and different levels. What matters more is efficiency and increases in funding to achieve better results.”

Hungary



2004

Year of accession

No

Eurozone member

Yes

Schengen member

Yes

Participating in PESCO

No

Member of European Public Prosecutor's Office

No

Member of European Intervention Initiative



Positive image of the EU (%)



Support for the euro (%)



Support for free movement of EU citizens (%)



Support for CDSP among EU Member States (%)



Support for CFSP of all EU Member States (%)



Support for enlargement of the EU (%)

Source: National Report, Standard EUROBAROMETER 92 December 2019, the European Union institution and agencies.

Is Hungary in favour of flexible modes of cooperation in the EU?

Yes

Hungary, under the current national conservative Fidesz-KDNP government, is generally a proponent of strong national states and has articulated a preference for a “Europe of the nations” opposed to the “United States of Europe”. As to its vision, it can be best defined, if at all, as a pragmatic one. This means that the country is accepting of multi-level cooperation as long as Hungary is provided the freedom to make its own decisions and is availed the opportunity to join all enhanced co-operation initiatives at a preferred time of its own choosing. It has also accepted that multi-speed Europe is the future of the EU, a view shared by policy experts in the country too. As is generally the case, there is often a discrepancy between rhetoric and the country’s real political line; the country’s position on every case is often tailored towards a consideration of hard

power politics and targeted primarily at its domestic audience – a speciality of populism.

Even if not expressed in an explicit manner, differentiated integration is generally suitable to Hungary. For a long time and indeed not that long ago, however, the country was opposed to different levels of integration. At that time, the debate was about the core/centre and periphery – the concept of two-speed Europe. This framework, in fact, continued in use for some time even after the discussion at the EU level shifted towards multi-speed Europe. Official government opinion took a turn in 2017 with its communication noting that flexible integration was already reality and, furthermore, acceptable and supported by Hungary. The fierce rejection of the two-speed concept, nevertheless, is present to date and is brought back into the communication strategy against Brussels as needed.

In sum, Hungary supports leaving sovereignty and decision-making competences to Member States, rather than Brussels, but still accepts differentiated co-operation. It takes part in some integration processes that fall within the flexible co-operation umbrella and is open to further expanding this list when it suits the country’s interests. Hungary, despite its political feuds with Brussels, is, according to one measurement, the

second most integrated country from the V4 Group. The country participates in Schengen co-operation and is seeking to extend cooperation in the area of Defence and Security.

Hungary is, nonetheless, not that keen on integration into the Economic and Monetary Union just yet. While the country isn’t rushing to introduce the common currency, it is, however, fulfilling the criteria. Budapest is also avoiding participation in the European Public Prosecutor’s Office. Participation in these initiatives would make the unorthodox economic policies the country has been pursuing since 2010 (even) more difficult to sustain.



“Even if not expressed in an explicit manner, differentiated integration is generally suitable to Hungary.”

Ireland



1973

Year of accession

Yes

Eurozone member

No

Schengen member

Yes

Participating in PESCO

No

Member of European Public Prosecutor's Office

No

Member of European Intervention Initiative



Positive image of the EU (%)



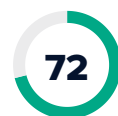
Support for the euro (%)



Support for free movement of EU citizens (%)



Support for CDSP among EU Member States (%)



Support for CFSP of all EU Member States (%)



Support for enlargement of the EU (%)

Source: National Report, Standard EUROBAROMETER 92 December 2019, the European Union institution and agencies.



Is Ireland in favour of flexible modes of cooperation in the EU?

Yes

The concept of multi-speed Europe is contentious. Indeed, the political perception of differentiated integration depends on the national or domestic context in which it is discussed; whereas some Member States praise the pragmatism of a 'two or three speed' Europe, others find the framework impracticable and inequitable. Ireland is in favour of a multi-speed framework and is, arguably, an example of the viability of reasonable and restrained differentiated integration. One example of this relates to the Schengen Area. In 1997, Ireland opted-out of the Schengen Agreement in order to preserve the Common Travel Area (CTA) between Ireland and the United Kingdom. Though Ireland was less opposed to Schengen than the United Kingdom, the centrality of the CTA to the relationship between the two required that Ireland adopt a multi-speed approach with respect to Schengen. An additional example relates

to defence; though Ireland is committed to furthering European cooperation on defence and security – as evidenced by its membership in PESCO – the primacy of Irish neutrality limits the extent of integration possible on defence. While Ireland is open to the idea of multi speed Europe, it is imperative that it operate within defined limits – differentiated integration is intended to facilitate gradual inclusion rather than gradual exclusion. Ultimately, differentiated integration is, to a degree, an extant feature of the European project. Half of European policies afford differentiation with respect to implementation and a multi-speed framework is instantiated in the Schengen Area and the eurozone.

The policy programme that the von der Leyen Commission is committed to is ambitious. However, ambition is rarely absent from complexity. The breadth and depth of the issues that the Commission intends to address – from climate policy to defence policy to the rule-of-law and democratic 'backsliding' – provide space for disagreement and dissent. A multi-speed framework, though, possesses the potential to mitigate dissent from Member States. The European Green Deal is the cornerstone of the new Commission's programme and an integral initiative for Europe. The process of achieving climate-neutrality by 2050, nevertheless, is demanding and requires a degree of flexibility – though certain Member States are politically and financially invested in

the transition to renewable energy others are less invested. Ultimately, differences in infrastructure, in natural resources, and in levels of import dependence invariably result in different Member States holding different energy-related interests. A degree of flexibility with respect to the implementation of the European Green Deal is perhaps the pragmatic (and harmonious) approach to achieving carbon-neutrality. In addition to the question of the European Green Deal, defence is an area which requires an element of flexibility. One area in which a multi-speed Europe is unacceptable is that of democracy and the rule of law. It is indeed imperative that Member States are unequivocally unified as regards the preservation of democratic values and the issue of democratic "backsliding".



“While Ireland is open to the idea of multi speed Europe, it is imperative that it is intended to facilitate gradual inclusion rather than gradual exclusion”

Italy



1952

Year of accession



Positive image of the EU (%)

Yes

Eurozone member



Support for the euro (%)

Yes

Schengen member



Support for free movement of EU citizens (%)

Yes

Participating in PESCO



Support for CDSP among EU Member States (%)

Yes

Member of European Public Prosecutor's Office



Support for CFSP of all EU Member States (%)

No

Member of European Intervention Initiative



Support for enlargement of the EU (%)

Source: National Report, Standard EUROBAROMETER 92 December 2019, the European Union institution and agencies.



Is Italy in favour of flexible modes of cooperation in the EU?

Yes

Italy is far from presenting a unique vision about cooperation in the EU. Still, in recent years, there has certainly been an increase in the perception within the country that flexibility and flexible modes of cooperation within the EU are key to the future of the Union. Political parties across the ideological spectrum maintain quite relevant differences in the way they view European integration. However, today, flexibility in the EU is generally perceived by Italian political parties as a mode to accommodate heterogeneity and national preferences as well as to help find ways of strengthening or even (according to more progressive political forces) re-launching certain policies of the Union in key sectors.

For Europe to be powerful, it should be cohesive, despite the high degree of heterogeneity among EU countries.

Certainly, the EU would be more cohesive if it had more flexibility in some key policy areas. This, in turn, would enable EU institutions to become closer and more responsive to citizens, eventually with solidarity and social inclusion at the core of its actions. In order to have a more powerful EU, there is a further need to more adequately take into account the interests of all Member States. This can only be done through the provision of more flexible policies in various areas, in the process accommodating different needs of Member States through specific policy instruments.

For differentiated cooperation, migration and fiscal policy are key from an Italian perspective. In just a few years, Italian public opinion has turned from being one of the most enthusiastically pro-EU to one of the most EU-sceptical, mainly due to the perception that there was a lack of solidarity at the European level in these two key policy fields, especially after the 2015 migration crisis. A multi-speed Europe that would be able to install a burden-sharing mechanism in these macro policy areas would be more than welcomed by the Italian public.



“For Europe to be powerful, it should be cohesive, despite the high degree of heterogeneity among EU countries.”

“In recent years, there has certainly been an increase in the perception within the country that flexibility and flexible modes of cooperation within the EU are key to the future of the Union.”

Latvia



2004

Year of accession

Yes

Eurozone member

Yes

Schengen member

Yes

Participating in PESCO

Yes

Member of European Public Prosecutor's Office

No

Member of European Intervention Initiative



Positive image of the EU (%)



Support for the euro (%)



Support for free movement of EU citizens (%)



Support for CDSP among EU Member States (%)



Support for CFSP of all EU Member States (%)



Support for enlargement of the EU (%)

Source: National Report, Standard EUROBAROMETER 92 December 2019, the European Union institution and agencies.



Is Latvia in favour of flexible modes of cooperation in the EU?

Yes

The European Union has been a platform for multi-layered cooperation since the introduction of the Economic and Monetary Union and the signing of the Schengen Agreement. These institutions have all provided space for Member States to make individualized decisions about the level of cooperation and centralisation of policies that they wish to pursue.

There are a number of advantages for both multi-speed and multi-level EU in the current circumstances. This includes, for example, easing the animosity of certain Member States towards Brussels initiatives that, to some extent, may compromise national interests and laying the groundwork for further enlargement of the EU.

being proposed. From the perspective of Latvia, it is permissible to preserve a certain degree of flexibility to join or opt out of policy areas, unless the overall solidarity and equality principle of the EU is undermined. The country also holds that the condition of “open door” is preserved for joining initiatives whenever convenient for Member States.

The departure of Britain and protectionist tendencies across Europe, indeed, both are emblematic of broader frustrations with the status quo and highlight the need for systemic change. A strong EU, in essence, is marked by satisfied and competitive Member States. Considering the significant economic and social differences and variations in satisfaction – and the ability to pursue it – across the 27 countries of the EU, a tailored multi-speed “Europe à la carte” could be beneficial to some extent. A multi-speed Europe would make it feasible to pilot more intense collaboration within, for example, the single market, the harmonisation of taxation and budgeting rules (thus steering the EU towards becoming a united economic player), defence, and regional initiatives among those who feel ready. It is important, though, in decentralising some policies that solidarity not be lost in other topic areas. Overall cohesion and regional development are, in fact, still relevant for the majority of countries that joined the EU from 2004 onward. The development of different modes of cooperation should also be carried out cautiously to prevent even

deeper political crises that could emerge from the creation of a class system of EU Member States where a core group decide on the affairs of peripheral “little brothers”. Any potential changes could, therefore, be more focused on the multi-speed EU model with temporary relief provided, if necessary, for some.

Further “togetherness” on a voluntary basis may be the subject of multi-speed participation in such fields as taxation, budgeting rules (more relevant for eurozone members), and common defence arrangements. In addition, individual peculiarities and capacity should be considered with regard to migration.



“It is permissible to preserve a certain degree of flexibility to join or opt out of policy areas, unless the overall solidarity and equality principle of the EU is undermined.”

Lithuania



2004

Year of accession

Yes

Eurozone member

Yes

Schengen member

Yes

Participating in PESCO

Yes

Member of European Public Prosecutor's Office

No

Member of European Intervention Initiative



Positive image of the EU (%)



Support for the euro (%)



Support for free movement of EU citizens (%)



Support for CDSP among EU Member States (%)



Support for CFSP of all EU Member States (%)



Support for enlargement of the EU (%)

Source: National Report, Standard EUROBAROMETER 92 December 2019, the European Union institution and agencies.

Is Lithuania in favour of flexible modes of cooperation in the EU?

Yes

The Lithuanian policy towards flexible modes of cooperation in the EU is based on three principles. First, Lithuania believes that a strong, efficient and united Union is in its best interests. Therefore, in principle, differentiation and other modes of flexible cooperation are not considered to be the most appropriate means of strengthening the Union. The UK's withdrawal from the EU is clearly viewed as a negative development in Lithuania.

Second, Lithuania understands that today, in practice, the differentiated integration model is already an integral feature of the European Union. The capabilities and interests of Member States are different. The availability of flexible modes of cooperation can, therefore, sometimes present a viable compromise. It is especially relevant in cases of horizontal differentiation, where non-EU states are willing to participate in some EU policies.

Third, Lithuania, itself, is pursuing a strategy of anchoring within the core of the EU and close cooperation with vanguard Member States. The country has, up to now, eschewed slower-speed differentiation and appears intent on also avoiding remaining in a "lower" league status. This attitude was the primary motivation behind the country's decisions to join the eurozone in 2015 and participate in PESCO in 2017.

Lithuania has never articulated an explicit and finite position on its preferred governance model of the EU as a whole. The conversation is usually limited to asserting that Lithuania's fundamental interest is in maintaining the strength, unity and effectiveness of the EU. But when it comes to enhanced flexibility, there is no defined position. This is probably because of the lack of interest and/or need for this discussion in the country. Being a small country, Lithuania understands that its impact on the future shape of Europe will be limited. These processes are viewed primarily through the prism of national interest.

Lithuania has never officially stated that it would like to pursue differentiated integration in any policy area. There are also few contributions from individual politicians on the subject. However, Lithuanian politicians have not been strongly opposed to such possibilities either. They usually note that differentiated integration is not

the end of the world but rather simply a recognition of the reality that EU countries are very different and that differentiated integration provides a vehicle for finding compromises. All new proposals for differentiated integration are, nevertheless, viewed with caution.

“Lithuania, itself, is pursuing a strategy of anchoring within the core of the EU and close cooperation with vanguard Member States. The country has, up to now, eschewed slower-speed differentiation and appears intent on also avoiding remaining in a “lower” league status.”

Luxembourg



1952

Year of accession

Yes

Eurozone member

Yes

Schengen member

Yes

Participating in PESCO

Yes

Member of European Public Prosecutor's Office

No

Member of European Intervention Initiative



Positive image of the EU (%)



Support for the euro (%)



Support for free movement of EU citizens (%)



Support for CDSP among EU Member States (%)



Support for CFSP of all EU Member States (%)



Support for enlargement of the EU (%)

Source: National Report, Standard EUROBAROMETER 92 December 2019, the European Union institution and agencies.



Is Luxembourg in favour of flexible modes of cooperation in the EU?

No

As one of the founding members of the European Union, Luxembourg to this day lies in the core of the EU and is an adamantly pro-European country overall. The country participates in every aspect of the European agenda and supports ever deeper and closer cooperation in the EU. It recognizes EU challenges in the area of asylum and migration, foreign and security, and fiscal policy. However, it is a strong proponent of moving forward together. Common action is the preferred approach for Luxembourg.

The country's strongly pro-EU stance, in fact, has become a niche for the Member State. In this role, the country has sought to bridge gaps between other Member States, namely the divisions between the small and the big countries of the EU. However, even though Luxembourg

is one of the frontrunners of European integration and is participating even in two-speed policies, such as the euro and Schengen, it is very sceptical about the multi-speed Europe concept.

Luxembourg is concerned that a multi-speed Europe could disrupt the cohesion and close cooperation of Member States and result in contradictory developments that ultimately break up the EU. For this reason, the country prefers common action. Even though the country opposes differentiated cooperation, it would likely want to stay in the core if this was the future decided on for Europe. As a whole, flexible modes of cooperation would provide a platform for moving forward on certain agenda items that are prioritized by some Member States but don't command support from all countries.

Luxembourg already participates in some of the multi-speeds agenda items and is presumably going to carry on with its cooperation in the eurozone, Schengen, CFDP, CFSP and others. Luxembourg is also very supportive of PESCO, even if it does not engage in it practically due to its limited military capacities. On the other hand, the country believes that policy areas like migration and asylum should be addressed collectively.



Luxembourg is concerned that a multi-speed Europe could disrupt the cohesion and close cooperation of Member States and result in contradictory developments that ultimately break up the EU.

“The country is a strong proponent of moving forward together. Common action is the preferred approach for Luxembourg.”

Malta



2004

Year of accession

Yes

Eurozone member

Yes

Schengen member

No

Participating in PESCO

Yes

Member of European Public Prosecutor's Office

No

Member of European Intervention Initiative



Positive image of the EU (%)



Support for the euro (%)



Support for free movement of EU citizens (%)



Support for CDSP among EU Member States (%)



Support for CFSP of all EU Member States (%)



Support for enlargement of the EU (%)

Source: National Report, Standard EUROBAROMETER 92 December 2019, the European Union institution and agencies.



Is Malta in favour of flexible modes of cooperation in the EU?

Yes

Since its accession in 2004, Malta has remained committed to EU integration, recognizing the advantages of a common approach in facing challenges related to, for example, the economy, migration, and monetary policy. As an island country at the borders of the EU, it is highly committed to pursuing a common migration and asylum policy. During the migration crisis, Malta, in fact, was among the countries that actively participated in the asylum seeker relocation scheme, taking in refugees from Italy and Greece. Malta is a proponent of revisions to the Dublin system, as well as the Common European Asylum System, areas that could be potential targets for differentiated cooperation.

Malta, furthermore, supports the process of strengthening integration more

generally. Even though it would like to see Europe move together, it is, however, open to the multi-speed Europe concept. As the Maltese Prime Minister stated, it is better to have the opportunity to integrate further than to stall in place. Malta acknowledges the need to focus on the challenges ahead and enhance cooperation, especially following Brexit and the migration crisis. Where a consensus is difficult to reach, it is better to pursue flexible integration.

Given the current state of the EU, a multi-speed Europe is needed in the areas of security and social issues. While Malta, as a neutral state, doesn't participate in PESCO, it will support it as long as participation remains voluntary. Malta, as noted before, is also open to differentiated cooperation on migration and asylum policy and border security.



“Even though it would like to see Europe move together, it is, however, open to the multi-speed Europe concept.”

“Malta acknowledges the need to focus on the challenges ahead and enhance cooperation, especially following Brexit and the migration crisis. Where a consensus is difficult to reach, it is better to pursue flexible integration.”

The Netherlands



1952

Year of accession

Yes

Eurozone member

Yes

Schengen member

Yes

Participating in PESCO

Yes

Member of European Public Prosecutor's Office

Yes

Member of European Intervention Initiative



Positive image of the EU (%)



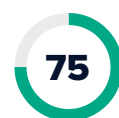
Support for the euro (%)



Support for free movement of EU citizens (%)



Support for CDSP among EU Member States (%)



Support for CFSP of all EU Member States (%)



Support for enlargement of the EU (%)

Source: National Report, Standard EUROBAROMETER 92 December 2019, the European Union institution and agencies.



Is the Netherlands in favour of flexible modes of cooperation in the EU?

Yes

The Dutch Government has so far been reluctant to take a general position in the discussion on flexible modes of cooperation in the EU. Therefore, an explicit position as such does not exist. It is, however, clear that unity is to be preferred over diversity and multi-speeds. Given that all treaty objectives have been accepted by all Member States, the assumption is that they should also be implemented in a process wherein all Member States do participate. Moreover, The Netherlands wants to avoid being excluded from cooperation in specific EU policy areas.

The Netherlands is a mid-sized country, located at the North Sea and the Rhine river-mouth, and is an international orientated country by nature. In view of its geographical location and history, The Netherlands is in favour of multilateral

cooperation, including in particular free trade, liberalisation and equality. In this regard, The Netherlands has been able to benefit over the years from the advantages conferred by EU cooperation (notably the internal market) and would like to continue to do so.

It is worth mentioning that within the present EU legal framework, instruments exist to develop variations of differentiation: e.g. transition periods and temporary exceptions. The Dutch positions in differentiated cooperation files have so far been taken on an ad hoc basis. The Netherlands participates in the eurozone and has accepted the derogations of Ireland (plus the UK) with regard to Schengen cooperation as well as the derogations of Ireland (plus the UK) and Denmark with regard to the Area of Freedom, Security and Justice cooperation.

In practice The Netherlands participates in the majority of enhanced cooperation (Article 20 TEU) and PESCO projects. On the other hand the country opposes a multi-speed model in the area of migration, because asylum and immigration issues are closely intertwined with internal market cooperation and therefore necessitate a common response.

A definitive position towards the multi-speed Europe concept is, for the time

being, unlikely to be developed. There will, nonetheless, be a willingness to assess the situation on an ad-hoc basis. In the end, the Dutch position will most probably be a conditional one: yes, to the extent that differentiated cooperation also serves the country's own interests



“The Dutch positions in differentiated cooperation files have so far been taken on an ad hoc basis.”

“The Dutch position will most probably be a conditional one: yes, to the extent that differentiated cooperation also serves the country's own interests.”

Poland



2004

Year of accession

No

Eurozone member

Yes

Schengen member

Yes

Participating in PESCO

No

Member of European Public Prosecutor's Office

No

Member of European Intervention Initiative



Positive image of the EU (%)



Support for the euro (%)



Support for free movement of EU citizens (%)



Support for CDSP among EU Member States (%)



Support for CFSP of all EU Member States (%)



Support for enlargement of the EU (%)

Source: National Report, Standard EUROBAROMETER 92 December 2019, the European Union institution and agencies.

Is Poland in favour of flexible modes of cooperation in the EU?

Yes

Poland's position on the incorporation of flexible modes of cooperation in the EU is ambiguous. In some ways, Poland recognises multi-speed Europe as a fact of life, evidenced by its resistance to considering entry into the eurozone anytime soon. This approach has been adopted by the current government but also the previous one which, likewise, didn't take Poland into the eurozone earlier. The possibility of Poland becoming a eurozone member is, nevertheless, decidedly lower now, under Law and Justice (PiS), than before – largely for reasons of nationalist symbolism and attachment to national sovereignty. This inclination is also underscored by Warsaw's current reluctance to join the European Green Deal.

At the same time, however, Poland's political elites recognise the risks linked

to a normalisation of flexible cooperation in Europe (this realization is similarly shared by both the ruling party and most of the opposition). They envision Poland becoming one of the major players in the EU (alongside Germany, France, Italy, and Spain) and know that being on the outside of meaningful formats of cooperation could reduce Poland's intra-European power and coalition potential. This is the reason why, for example, Poland has joined PESCO (as one of the latecomers). The alternative of being on the outside of that structure could have strengthened both internal divides within the EU (creation of a two-tier Europe) and a perception by other countries that Poland is, in fact, in the EU's periphery. By being in PESCO, meanwhile, the country can exert pressure to confine cooperation within certain limits and reduce strain on the NATO framework.

All in all, the eurozone (and climate) set aside, Warsaw usually emphasizes the need for the EU to be unified and avoid divides – while the term of 'flexible cooperation', even when practically useful, raises immediate concerns that are deeply rooted in national myths, traumas, and social complexes.

Rather than Europe moving at different speeds, the ruling party elites would prefer the EU to focus on its core dimensions of cooperation – which, in their understanding, is the single market

– and avoid engaging in 'controversial' initiatives (such as defence integration, creation of a hard core of integration around the eurozone, prioritization of the climate policy agenda, etc...) that could further exacerbate fragmentation within the EU. Warsaw, nonetheless, believes that some initiatives are necessary to make Europe a more powerful actor. This, however, could include, for example, the possible modernisation of competition policy and consequently wouldn't necessarily require differentiated integration.

For Poland, it's important to maintain freedom and not be a participant in initiatives like (a) eurozone membership, (b) the refugee relocation scheme, and (c) the European green deal. That may imply a tacit acceptance for differentiated integration in these areas. But, at the same time, Warsaw can be expected to frame such manoeuvres as targeted towards confining European integration to its fundamental purposes rather than as an explicit acceptance of differentiated integration.

Portugal



1986

Year of accession

Yes

Eurozone member

Yes

Schengen member

Yes

Participating in PESCO

Yes

Member of European Public Prosecutor's Office

Yes

Member of European Intervention Initiative



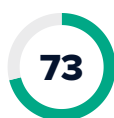
Positive image of the EU (%)



Support for the euro (%)



Support for free movement of EU citizens (%)



Support for CDSP among EU Member States (%)



Support for CFSP of all EU Member States (%)



Support for enlargement of the EU (%)

Source: National Report, Standard EUROBAROMETER 92 December 2019, the European Union institution and agencies.



Is Portugal in favour of flexible modes of cooperation in the EU?

Yes

Portugal has been a Member State committed to all spheres of European integration. Internal political consensus was achieved well before membership (1986) and the country has pursued a role at the core of each area within the EU. Portugal has been in the eurozone and in the Schengen area since their foundation. Lisbon has also been a proponent of every previous enlargement, a supporter of free-trade agreements, and, particularly relevant for a founding member of NATO, an advocate in favour of the Common and Security Defence Policy.

During the Portuguese financial assistance program (2011-2014), the country's internal consensus came under strain faced with the rules of eurozone, namely on fiscal consolidation and reducing public debt and deficits. That particular episode, however, was not enough to fracture the national compromise earlier reached on euro rules and the authority of European

institutions. Before, during, and after the financial crisis, Portugal held onto a resilient attitude towards all dimensions of EU integration. The country is largely economically dependent on the common market but is also politically engaged with the core values of Europe. This common resolve is reflected in national polls.

Having said this, the Portuguese European affairs and foreign policy establishment has recently admitted that flexible mode of cooperation are the new normal in the EU. An EU with a variable geometry in different areas of integration is, for Portugal, the reality that each country has to work with and adapt its decision making processes to. Portugal's preference, arising from a broad political, institutional, and economic consensus, is to continue to be part of the core of every sphere of integration, helping the country to become even more politically and financially integrated, resilient to external shocks, and democratically robust enough to influence the international economy, trade and geopolitics. The Portuguese roadmap is aligned with other countries, like France, in prioritizing the following areas: the Economic and Monetary Union, the green new deal, defence and security, trade and regulations, migration and international cooperation, European law enforcement, democratic legitimacy, and the energy union.

In sum, the question is not whether Portugal is in favour of flexible modes of cooperation, but how it will play an influential and coherent role within this

context. Flexibility already exists and will be more prominent in the years to come but Portugal want to stay at the core of every area of the EU. It should be assumed that this multi-speed integration, however, will lead to a more fragmented EU. This is an outcome that Member States committed to deeper integration, like Portugal, must seek to avoid at all cost. Political fragmentation is a risk too high for a small-medium sized young European democracy (46 years old) whose fate is closely intertwined with the success (or failure) of the EU project.



“The question is not whether Portugal is in favour of flexible modes of cooperation, but how it will play an influential and coherent role within this context. (...) Portugal want to stay at the core of every area of the EU.”

Romania



2007

Year of accession

No

Eurozone member

No

Schengen member

Yes

Participating in PESCO

Yes

Member of European Public Prosecutor's Office

No

Member of European Intervention Initiative



Positive image of the EU (%)



Support for the euro (%)



Support for free movement of EU citizens (%)



Support for CDSP among EU Member States (%)



Support for CFSP of all EU Member States (%)



Support for enlargement of the EU (%)

Source: National Report, Standard EUROBAROMETER 92 December 2019, the European Union institution and agencies.

Is Romania in favour of flexible modes of cooperation in the EU?

No

been a proponent of increasing the EU's footprint globally. However, the country completely opposes differentiated and multi speed approaches as EU policy moving forward. The country, instead, fully supports convergence across the union and cohesion to continue closing the gap both between the East and the West and within regions themselves. To put it simply, differentiation is not considered a viable option for any policy area as it will only lead to further fragmentation in the European Union.

“It fully supports convergence across the union and cohesion to continue closing the gap both between the East and the West and within regions themselves.”

Romania has staked out a position advocating for deeper integration of the EU27 and against flexible or differentiated policies within the Union. The country has articulated its opposition to all forms of multi-speed proposals, arguing that flexible integration is leading to fragmentation and further divisions between Member States.

The country has, from its own standpoint, prioritized adoption of the euro and entry into Schengen as critical political objectives. Bucharest has indeed already implemented policy measures to move the country closer towards achieving these goals – this includes progress on the Mechanism for Cooperation and Verification (CVM) on external borders and on currency, the National Commission for the Implementation and Adoption of the Euro Currency. Romania has, furthermore,

“Romania completely opposes differentiated and multi speed approaches as EU policy moving forward.”

“Differentiation is not considered a viable option for Romania for any policy area as it will only lead to further fragmentation in the European Union.”

Slovakia



2004

Year of accession

Yes

Eurozone member

Yes

Schengen member

Yes

Participating in PESCO

Yes

Member of European Public Prosecutor's Office

No

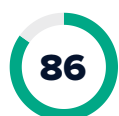
Member of European Intervention Initiative



Positive image of the EU (%)



Support for the euro (%)



Support for free movement of EU citizens (%)



Support for CDSP among EU Member States (%)



Support for CFSP of all EU Member States (%)



Support for enlargement of the EU (%)

Source: National Report, Standard EUROBAROMETER 92 December 2019, the European Union institution and agencies.



Is Slovakia in favour of flexible modes of cooperation in the EU?

Yes

Slovakia's position on multi-speed Europe is often evaluated within the context of the Visegrad countries (Czech Republic, Hungary, Poland and Slovakia, V4), whereby the country went from an integration laggard to the most EU-integrated member of V4. After a brief Eurosceptic interlude connected to the migration crisis of 2015/2016, Slovakia has rediscovered the value and attractiveness of European integration; this comes despite the fact that at some moments, the official pro-European line seemed at odds with the behaviour and proclamations of some of its key political figures. Though the theme of multi-speed Europe was overshadowed by domestic concerns in the run up to the 2020 parliamentary elections, the topic is bound to re-surface again with the country's new government.

For Slovakia, the emergence of a more powerful Europe doesn't necessarily require the EU to become more flexible and consequently move at different speeds and with different levels. On the one hand, the multi-speed Europe concept, in fact, is seen as something that might inevitably deepen, rather than erase, the East-West divide. On the other hand, there is also an overall realisation that Europe of two or more speeds has been a reality for some time now and the choice is either to move closer to the core or remain on the periphery. In principle, Slovakia is ready to integrate further if the system remains flexible and open.

As Minister of Foreign Affairs Ivan Korčok has said on multiple occasions, Slovakia is ready for deeper integration in areas where it brings added value for the country and for the EU, but isn't ready to issue a blank cheque to buy into any future form of the core. In addition, the core must not become an exclusive group that prohibits other countries from participating on selective integration. This is a view shared with another coalition member forming the new government, the political party SaS, who have traditionally been more 'Eurorealist' and less supportive of deeper integration. How this pro-EU core stance will be (re)negotiated with some of the more Eurosceptic coalition parties, especially Sme Rodina, remains to be seen.

Slovakia's place in the 'core' of the EU has primarily been connected to its EMU membership, with the country agreeing with its V4 partners in rejecting calls for harmonisation of tax or social policies. In the last few years, however, Slovakia seems keener on cooperating on future initiatives in these areas (e.g. on the EU digital tax). When it comes to defence and justice and home affairs, they are never debated in the context of multi-speed Europe, though Slovakia participates in most initiatives. Slovakia has also recently become the only V4 country to commit to reaching carbon neutrality by 2050.



“Slovakia is ready for deeper integration in areas where it brings added value for the country and for the EU, but isn't ready to issue a blank cheque to buy into any future form of the core.”

Slovenia



2004

Year of accession



Positive image of the EU (%)

Yes

Eurozone member



Support for the euro (%)

Yes

Schengen member



Support for free movement of EU citizens (%)

Yes

Participating in PESCO



Support for CDSP among EU Member States (%)

Yes

Member of European Public Prosecutor's Office



Support for CFSP of all EU Member States (%)

No

Member of European Intervention Initiative



Support for enlargement of the EU (%)

Source: National Report, Standard EUROBAROMETER 92 December 2019, the European Union institution and agencies.

Is Slovenia in favour of flexible modes of cooperation in the EU?

Yes

Slovenia is not a huge proponent of flexible and differentiated integration that extends beyond the principle of subsidiarity and is based solely on political considerations/differences. Slovenia was one of the first new Member States to join the eurozone and Schengen. And it is in the strategic interest of Slovenia to remain a part of the 'core' group of countries in the EU. Slovenia is concerned that more flexible or differentiated forms of integration could weaken the position of countries seeking to catch up in different areas and pit small Member States against larger ones. It could also lead to the development of more permanent forms of differentiation that would stifle European integration.

Slovenia believes that EU power lies especially in the socioeconomic cohesion and political unity of its Member States

and their ability to speak with a common voice. In instances where this is not possible for various reasons, Slovenia accepts the need for certain forms of flexibility to enable some countries to move forward and take necessary action while others are still allowed to join at a later date. Slovenia is, however, not supportive of prioritizing efficient decision-making (e.g. on strategic and foreign policy issues) over all else as this could lead to antagonism that weakens unity and hampers cooperation over the long run.

Slovenia, nevertheless, accepts some flexibility in decision making and policy design for pragmatic reasons. This flexibility, however, should be balanced with mechanisms to ensure responsibility and prevent moral hazards (e.g. on the eurozone) or unilateral actions with asymmetric implications for other Member States (e.g. on Schengen and internal borders). In light of Slovenia's current treaty obligations (i.e. the Lisbon treaty), there is sufficient scope for flexibility on different policy portfolios. Any change of existing treaties in the current context could be counterproductive. As explained above, attempts to enforce unified decisions or views on some politicized issues could instigate heated opposition (e.g. 'enforced solidarity' in migration policy or applying QMV to CFSP). For Slovenia, it is important that various forms of flexible and differentiated integration

(e.g. on foreign, security and defence policy like PESCO) remain open for any Member State to join at any stage if it wishes to do so.

“Slovenia is not a huge proponent of flexible and differentiated integration that extends beyond the principle of subsidiarity and is based solely on political considerations/differences.”

Spain



1986

Year of accession

Yes

Eurozone member

Yes

Schengen member

Yes

Participating in PESCO

Yes

Member of European Public Prosecutor's Office

Yes

Member of European Intervention Initiative



Positive image of the EU (%)



Support for the euro (%)



Support for free movement of EU citizens (%)



Support for CDSP among EU Member States (%)



Support for CFSP of all EU Member States (%)



Support for enlargement of the EU (%)

Source: National Report, Standard EUROBAROMETER 92 December 2019, the European Union institution and agencies.



Is Spain in favour of flexible modes of cooperation in the EU?

Yes

Spain's preference, as expressed by the new left-wing coalition government, is a clear embrace of flexible modes of cooperation rather than more dependency on the German-French axis. This is the position expressed by Spanish Minister of Foreign Affairs Arancha González Laya in recent statements. Following the position of the new government, it seems that the European agenda around migration, asylum, the green transition, budgets, the euro, and the banking union can only be completed taking into account different speeds and different levels of integration. A single speed, meanwhile, is likely to hinder progress.

Differentiation is, in fact, necessary to achieve the objective of closer integration in the EU. It provides flexibility in recognizing that not all Member States enjoy the same conditions to adequately

participate in specific initiatives or that some Member States prioritize maintaining their sovereignty in specific areas. Differentiation, in other words, is necessary to avoid 'ever greater disunion' between Member States. The main policy areas for differentiation are: Monetary Union and Banking Union, Fiscal Union, Defence, Foreign Policy, and Migration. Differentiation is not acceptable when the "cost of non-Europe" is very high, for example in the single market, trade policy, or when otherwise clearly in violation of treaty principles (e.g. free movement of workers, goods, services, and capital).



"Spain's preference is a clear embrace of flexible modes of cooperation rather than more dependency on the German-French axis."

"Differentiation is necessary to achieve the objective of closer integration in the EU."

Sweden



1995

Year of accession



Positive image of the EU (%)

No

Eurozone member



Support for the euro (%)

Yes

Schengen member



Support for free movement of EU citizens (%)

Yes

Participating in PESCO



Support for CDSP among EU Member States (%)

No

Member of European Public Prosecutor's Office



Support for CFSP of all EU Member States (%)

No

Member of European Intervention Initiative



Support for enlargement of the EU (%)

Source: National Report, Standard EUROBAROMETER 92 December 2019, the European Union institution and agencies.

Is Sweden in favour of flexible modes of cooperation in the EU?

Yes and No

Sweden's approach to EU membership is more instrumental and transactional in nature than one of common purpose rooted in historic experience. The integrity and efficiency of the common market and a strong preference for intergovernmental governance are the defining features of the Swedish perspective. At large, Sweden is a defender of the status quo and views the cohesion of the 27 Member States as the main vehicle for development - the bottom line being to avoid a core group of more integrated countries drifting away. A central priority must, consequently, be to manage flexible cooperation to avoid marginalisation in a core-periphery EU landscape.

Considering the realities of Brexit, and despite Swedish overall insistence on maintaining the cohesion of the 27, Sweden accepts the calls for further

flexible modes of cooperation. This is conditioned by the convergence of national interests with common EU priorities. Sweden needs to balance its national interests in the EU with those Members States whose preferences are more aligned with further integration, e.g. the eurozone, defence, justice and energy.

Amidst the calls for opening new areas of integration to the willing, Sweden holds a pragmatic stance as to what possible fields are suitable for Swedish participation or not. Member States, likewise, should be able to opt-in on different terms. The euro is a case in point, where Sweden defends the cohesion and stability of the EMU but, for its own part, will continue to remain outside the institution for the foreseeable future. On migration policy, however, Sweden – being the main recipient of migration flows in 2015 – is a proponent of a common EU policy. The question is not whether Sweden favours flexible integration, but rather how the various speeds should be managed between themselves in order to sustain cohesion.

“At large, Sweden is a defender of the status quo and views the cohesion of the 27 Member States as the main vehicle for development - the bottom line being to avoid a core group of more integrated countries drifting away.”

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