The background of the top half of the page is a large, dark blue image of the European Union flag, showing the twelve yellow stars on a blue field, waving against a cloudy sky.

# Multi-Speed Europe – Embracing the Reality

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## Summary

The existence of a Multi-Speed Europe is a reality. The concept relates to the pace of integration – or lack thereof – of Member States into different structures of Union. The dissimilarity of integrative speed is intrinsically linked to the different resources, goals and socio-economic backgrounds of each Member State.

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The uniqueness of the EU rests in its diversity: of languages, of culture, of history, ideologies and socio-economic development. We should stop fighting this diversity and instead start accepting it. We should deal with it without jeopardizing our core principles, rules and ideas. A mature EU should not leave behind nor ignore Member States who struggle to keep the pace of development and integration. It is the duty of fast-tracked countries to bring in those countries who are on the fringes, but in a gentle and not a forceful manner.

This two-speed dynamic is not a bad thing per se. If we leave behind unproductive debates on the reality of a multi-speed Europe, and start accepting its de facto existence, we could shift our focus towards helping Member States to keep up and thus maximizing the efficiency and effectiveness of various areas of the EU.

Both in older policy areas such as Security and Justice, Eurozone, and Schengen, and newer ones such as PESCO, Frontex or the Banking Union, Member States have shown involvement at varying speeds, with some Member States pioneering while others lag behind or opt out of further integration.

From here some questions arise: is the different pace of integration and adoption detrimental to the lagging Member States, and to the EU as a whole? Through which mechanisms and tools can we help Member States move faster?

Bringing together a panel of experts, ELF's 'Multi-Speed Europe' roundtables advanced some answers to these questions. Whilst not definitive, the discussions were greatly thought-provoking. The insights of the speakers aimed at determining the driving factors and motivations behind the lack of common integration speed, and also to recommend tools that might enable better integration.

Even though the discussion offered a holistic view on the multi-speed theme, the focus was pointed at several specific areas: the Eurozone, Schengen area, the Banking Union, PESCO and future enlargement- realms that symbolize the development and integration of the EU. To maximize the benefits linked to the desired functioning of these areas, all Member States need to get in sync and have an alignment of approaches and wanted outcomes.


## **Eurozone:**

The Economic and Monetary Union is a key example of how differentiated integration works within one of the EU's structures and how multi-speed integration can be healthy and beneficial. With its establishment under the Maastricht Treaty in 1992, the Economic and Monetary Union marked yet another highlight in the process of integration of the EU and its financial development. The release of the single currency, the Euro, in 2002 is arguably the most successful and tangible achievement of the EU. The economies of the Eurozone countries have become more stable, have achieved higher growth and have had higher levels of employment. The integrated economic and monetary union for the Eurozone members allowed for more effective single market and uninterrupted

trade – achievements that would have been a tad more difficult to reach had each Eurozone state operated its own monetary policy.

As it exists now, the Economic and Monetary Union features upsides but also downsides. A positive aspect is the voluntary cooperation, with members having shared interests and a sense of progress between them. No member was forced to join, but they decided that working closely together would enable them to achieve their best economic and social interests. It is also an inclusive group that does not exclude further participation, but rather encourages other members to join. Furthermore, it has propelled the Euro into one of the most important currencies in the world – which would not have happened if national currencies were retained. A strong Eurozone paved the way for the issuance of financial instruments for crisis resolutions, such as the recovery package released as a response to the COVID-19 pandemic. Some years ago, it would have been unthinkable that common EU financial instruments would be used to tackle a crisis.

On a negative note, the set of established criteria was not always respected: some members have been allowed to join without fulfilling the requirements, while those that were already in have not necessarily abode by the rules they have prescribed. Also, some members have attempted to impose some far-reaching structural reforms in other countries without really considering the country's social and institutional structures and without providing a lifeline for them, at least not initially.



Without a doubt, the Eurozone is one of the most salient realms of the multi-speed dynamic. There are question marks over whether the Economic and Monetary Union will be completed.

Some countries do not want to accede to the Eurozone – Denmark or Sweden, while some countries still do not have the resources to join – Romania or Bulgaria. Even though the countries at the top will encourage other members to keep up with them, that will not necessarily lead to efficient integration – some countries might not be able to keep up with the imposed pace, and that could hurt the currency itself.

Similar questions loom over the fiscal union, which is difficult to achieve due to a multitude of reasons. First, taxation is an example of sovereign power, which is vital because that is how governments fund themselves. Governments will not easily waive their sovereignty in this field. Secondly, there are striking differences in citizens' income across the member states that do not


allow for harmonization of fiscal policies at the level of the member states. At the same time, it is argued that the Eurozone will only survive if it moves towards more fiscal union, with more supervisory power over national budgets by joint institutions.

## Schengen area:

While the Schengen area would not exist without differentiated integration, one could remark that too much flexibility could risk the cohesion of the area. Similar to other dimensions of the EU, some actors want more cohesion while some want less cohesion. In this field, however, the greater cohesion argument seems more convincing.

Schengen started with 5 members in 1985, outside the treaty framework; it later developed with the Amsterdam Treaty – with opt-ins and opt-outs. Now, all new Member States are required to become part of the Schengen area after a transitory period. So far, different levels of integration have functioned for the Schengen area.

Schengen is faced with transnational challenges which are intrinsically linked with the abolition of border control. Member States are expected to cooperate seeking effective solutions at the EU level on a number of sensitive issues: combatting terrorism, fighting cross-border crime and drug trafficking, as well as managing external borders; yet ensuring security at borders is one of the core tasks of a sovereign state. From here stems a dilemma for the members, to find a balance between common problem-solving instincts and the sovereignty reflex. A fine balance needs to be created between cooperation for common problem-solving and a degree of autonomy that rests with each member state.



The sovereignty reflex is even stronger when states are going through a crisis.

The migration crisis from 2015-2016 and the COVID-19 pandemic are good recent examples, where there was a great need for common solutions. Yet very often, precisely at those moments, an increase in the sovereignty reflexes of member states who try to find solutions by themselves can be observed.

In order to reconcile this

dilemma, some options are available: preserving the veto of member states, granting opt-outs and introducing border controls in some areas. The Schengen border code actually allows members of Schengen to reintroduce border controls in event of serious threats to public policy and internal security. Such introductions however must remain an exception and can operate for only 30 days.



Migration policy is inherently intertwined with discussions on Schengen. Each asylum seeker that comes into a Schengen country will automatically be allowed to move to another Schengen country. The asylum crisis has shown that there are serious differences from member states regarding their view on migration policy. There have been long discussions on how to reform the common European asylum system, to have better enforcement of policies in border countries, for more solidarity and for an improved Frontex. However, some countries have been reluctant to implement changes.

Kicking countries out of the Schengen area is a non-starter but there are some provisions in the Schengen border code: if a state is considered a permanent, systemic problem to the Schengen zone – there could be a prolonged implementation of border controls.

## European banking union:

Overseeing the banks of the eurozone countries, the European Banking Union regulates bank activities and issues monetary policy, with the goals of achieving price and market stability. The conversation on the European Banking Union in the context of a multi-speed Europe revolves around whether the member states that are not part of it should join, how soon should they join, and what impact will new states joining have. It is clear that a multi-speed Europe in the EBU is there to stay, as some member states simply do not want participation within the banking union, while others do not comply with the criteria.

Until October 2020, the banking union comprised solely the eurozone member states, but now Croatia and Bulgaria have commenced the close cooperation programme that allows them to sit on the European Central Bank's supervisory board. On the other hand, Sweden and Denmark had envisaged joining the Banking Union, but swiftly dropped the idea.

The European Banking Union has been a tremendous achievement, but it remains imperfect and incomplete. It has been a success in that the overall situation of the banking sector has improved. Looking back at what happened in the 2008-09 financial crisis – which caught the financial system worldwide off-guard – and with the 2009-12 Eurozone crisis – which was the existential crisis of the Euro – the European financial system displays more robustness and resilience. The Eurozone crisis also served to kickstart the project on the Banking Union. These features are also bestowed by the two pillars of the Banking Union: the Single Supervisory Mechanism, which aims at instilling a uniform approach to banking supervision, and the Single Resolution Mechanism, which coordinates resolution responses. These mechanisms and the overall architecture of the Banking Union helped the European Union to better react to the economic drawback of the COVID-19 pandemic, which in its first phase completely paralysed entire economic sectors.


Less positive aspects inherent in the Banking Union relate to the existing framework being grounded in a non-total harmonisation of the applicable rules,

and thus not creating a level-playing field for all members. Beyond that, more integration for the non-Eurozone members into the decision-making processes of the Banking Union should be pursued, as the non-members are also affected by resolutions adopted by the Eurozone states.

Rectifying these drawbacks is needed in view of improving the cohesiveness of the banking union. There is a need to strike a better balance with a new set of rules – rules that will make European banks more resilient and increase their readiness in coping with crisis, while leaving enough space to manoeuvre in terms of their autonomous operation. And not only the European Banking Union needs rethinking, but also the banking system in general, as the rise of fintech and crypto assets pose serious challenges to the way traditional banks will operate in the long-term. It is expected that the elections in Germany (autumn 2021) and France (spring 2022) will provide new impetus on the Banking Union debate.

## PESCO:

The Permanent Structured Cooperation (PESCO) has been introduced as part of a new, more ambitious defence policy, as outlined in the European Global Strategy in 2016, alongside sister projects: the Coordinated Annual Review on Defense (CARD) and the European Defence Fund (EDF). It creates a framework that brings together the 25 participating member states and allows them to cooperate on military capability development projects. The debate on PESCO integration is part of the EU's overarching common defense capabilities and how far they should extend. Alongside the CARD and the EDF, this trio of new initiatives should pave the way for a stronger EU in terms of defense capabilities. In reality, coordination has proven to be more difficult because of the lack of a body to oversee all three initiatives – PESCO is coordinated by the Member States, EDF by the Commission and CARD by the EDA.




Under the PESCO umbrella, states only participate if they are willing to do so.

Hence, it is natural and even desirable to have some states more involved than others. And since there is a mismatch between each Member State's resources and ambitions, there is also a discrepancy in their involvement. PESCO started out as an opportunity to create a core defence group for Member States willing

and capable, but it ended up as a set of vaguely phrased commitments, thereby potentially offering an escape route for participants who have since lessened their commitments. Little has been done so far to show that the project has actually become an instrument to solve the EU's shortage of defense capabilities. There

is a strong argument that PESCO lacks a central body that can steer defense integration in the right direction. Obviously, there is the strategic compass. However, the strategic compass may appear underwhelming in certain aspects, as it does not define priorities after the late 2020s. It is recommended that to sustain a more ambitious defence agenda, the EU drafts a programme that will cover more than the next 10 years.



PESCO is a tool that allows Member States with the necessary resources to launch joint projects – 47 have been launched so far.

It seems that things have not gone as planned, as some projects are late, for some there are no financial resources, and some are only in the ideation phase. Apart from that, there are voices questioning the importance of the PESCO projects – certainly none of them are useless, but very few are of great importance. Most of them could have been completed without the need of PESCO. Even

though the project is in a nascent phase, there are concerns that PESCO could become another type of initiative relying more on 'form' than 'substance'. However, PESCO as a tool has far more potential than that and it is up to the Member States to be able to use it properly in a way that reaches the goals set by the strategic compass.


Solutions to enhance the impact of PESCO appear in the shape of creating micro-groups of states that deal with certain capabilities – a plurality of special groupings, with each specialising in certain areas, or by exploring all treaty avenues that allow smaller groups to launch Common Security and Defence Policy operations. An alternative would be to reduce the focus on equipment projects and concentrate instead on the operational side (crisis response for instance).

## Enlargement:

Enlargement is part of the DNA of the European Union. A community of 6 is now a community of 27, with other countries wanting to partake. Differentiated integration has become a defining feature of European integration – without it, we would not have Schengen or the Eurozone area. While participating in the debate on enlargement, one needs to be aware that the European Union remains a work in progress, whose end destination is not yet known.

In recent times, the conversation on the enlargement of the Union has lost its momentum. Brussels no longer seems to be very attracted to the idea of widening the Union. Formally, enlargement policy does not stand at the top of the Union's

political agenda; enlargement barely received a mention in the last State of the Union address. This might turn out to be a strategic miscalculation. In any case, countries who wish to be part of the European family should not be discouraged and the door should remain open to them.



Nonetheless,  
enlargement should not  
be a goal in itself if it is not  
working properly.

The process should be grounded in a functional system based on values that are protected and promoted – democratic institutions, rule of law, respect for human rights, equal justice, and economic freedoms. These are the elements that form the bedrock of the integration process and that is where

the focus should be – on creating a coherent process where enlargement or deepening is undertaken based on values.

In addition, enlargement should take into consideration the country's desire to be part of a certain process or not: Norway does not want to be part of the EU and that is fine, Andorra or San Marino would like some sort of integration, but are not willing nor capable to go through every process that would lead to full membership, while in the Western Balkans, willingness is high but there is an increased trend of democratic regression.

The status quo of enlargement may be unsatisfactory for some candidate or aspiring countries. That stems from the EU being locked in on its own institutional processes, with all the formal procedures required for candidate states. Decisions on enlargement policy require unanimity and as such, it bestows upon Members the option to block the accession of other states and thus rendering the prospects for enlargement remote. A rethink of the policy in a way that makes the accession process more accessible, but without disregarding the key values of the EU, could be a boost for the enlargement purposes.

**What if Europe could use the reality of differentiated integration to facilitate accession for those candidate countries ready in some areas, but catching up in others?**

An idea would be staged integration – countries acceding to only certain sectors of the Union, pending full membership. Hence, a country can join the EU with limited rights, and when all membership criteria is ticked, it can receive full rights. For instance, if a candidate still lags behind in fulfilling all requirements, the country should not have votes in the European Parliament or the European Council. Also, different types of integration could be used, at least for different groups of countries. A flexible type of membership (political, economic) might entice some states. What the UK, Iceland or Norway want from their interaction with the EU is different than what the Western Balkans countries want.



## Conclusion

Instead of denying or ignoring the multiple speeds of European integration, it is high time that the EU recognise this de facto status and approach it with more courage. Member States have chosen or been granted deeper integration in some areas, but a multi-speed Europe exists in the realities of its citizens too. Their purchasing power, access to justice, educational chances vary as much if not more than the different versions of the *acquis* applicable to their governments. The solution to this is broader than deliberations of treaty structures, but Europe has proven that one-size-fits all approach is not satisfactory. Whether this means better codifying the multiple tracks that already exist (e.g. in the case Schengen, eurozone) or confronting new opportunities (e.g. PESCO, asylum policy) with more bravery, an honest multi-speed Europe can present opportunities for EU citizens and those wishing to become EU citizens in the near future.

## Author bio

**Matei Stefan** is currently completing his bachelor's degree in International and European Law at The Hague University of Applied Sciences. Before joining ELF, Matei also interned at two embassies: the Netherlands Embassy in Bucharest and the Romanian Embassy in The Hague. Passionate about EU law, international relations, and diplomacy, he uses his legal background and academical skills to assist the PRU.

## About ELF

The European Liberal Forum (ELF) is the official political foundation of the European Liberal Party, the ALDE Party. Together with 47 member organisations, we work all over Europe to bring new ideas into the political debate, to provide a platform for discussion, and to empower citizens to make their voices heard. Our work is guided by liberal ideals and a belief in the principle of freedom. We stand for a future-oriented Europe that offers opportunities for every citizen. ELF is engaged on all political levels, from the local to the European. We bring together a diverse network of national foundations, think tanks and other experts. In this role, our forum serves as a space for an open and informed exchange of views between a wide range of different EU stakeholders.

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