



editorial

Does Differentiated Integration Work Properly?

Gianni Bonvicini, Istituto Affari Internazionali (IAI) and EU IDEA Advisory Board.

In the present difficult times for the EU, one of the main questions is to understand whether the recent proposals and measures put forward by the Commission, following the COVID-19 pandemic, represent a new driver for EU-wide harmonisation and, consequently, a diminished pressure on the path towards differentiation. Or, vice versa, whether the objective obstacles to the approval of a “Next Generation EU” plan by all 27 Member States will again push some governments towards the alternative of enhanced cooperation.

As a premise, a more general question should also be addressed: whether past experiences of differentiated integration have shown a good degree of “governance”, as the only possible exit from unsolvable communitarian deadlocks (Tekin, Meissner and Mueller 2019).

Starting with the latter question, we have to recognise that successive enlargements and increasing devolution of new competences to the EU, since the signing of the Maastricht Treaty, have created greater heterogeneity and conflicting national interests inside the Union (Brunazzo 2019). More recently, the powerful rise and spread of nationalist political parties across the whole Union have worsened the perspective of harmonious decisions among the 27 members. But even at the beginning of the 90s the need to allow willing and able governments to move ahead in limited groups was perceived as a necessity for unblocking the common decision-making system. Since then, successive treaties have made enhanced cooperation the new normal. The euro, Schengen and more recently PESCO are all examples of differentiation needed for the EU to move ahead. But due to the difficulties in applying the complex Treaty rules for differentiation, only four other secondary forms of enhanced cooperation (from divorce law to property regime) have been added over the years (Takin and Meissner 2019).

As a matter of fact, the meaning of initiatives for differentiated integration clearly lies in the belief that uniformity as a method of communitarisation seems without future. But has differentiation proved to be effective? If we look at the leading model of enhanced cooperation, the euro, we should admit that without such a method the EU would not have had the chance to create a common currency. But as soon as the financial crises erupted in 2008–09 the euro risked falling into a definitive collapse. This was avoided, from the one side, through a number of new crisis management mechanisms outside the Treaty framework, like European Stability Mechanism (ESM) and the Fiscal Compact, and from the other, with recourse to monetary

support from European Central Bank (ECB) in the form of quantitative easing. The main reason for such poor performance was the absence of a proper “economic governance” of the common currency, that is, an authority with the power to adopt the necessary fiscal policy.

Even worse in terms of effectiveness is the performance of the other main example of differentiated integration, the Schengen Agreement. In contrast to the euro, which a country can't exit or give up, in Schengen each member is allowed to suspend the rules of the free crossing of borders in case of vital national necessity. This has happened in several cases, but especially in the field of immigration policy and more recently during the COVID-19 crises, with a complete lockdown of all internal and external EU frontiers. In the absence of a coordinated and uniform EU answer to the Coronavirus threat, the only solution has been an individual decision of each member country of the Schengen area to reintroduce border controls and move against some basic freedoms of movement, solemnly recognised in the EU Treaties.

As for PESCO, a new version of differentiated integration named “permanent structured cooperation”, its functioning raises several doubts in terms of effectiveness. At issue is not only the concerned call of HR Josep Borrell not to cut national defence budgets, as a consequence of the difficult economic post-Covid crisis, but the very nature of PESCO itself, as a diluted form of enhanced cooperation with respect to the norms (art. 42-44) prescribed by the Lisbon Treaty. A contingent of 25 countries (of which all may be willing, but not all are capable), with 47 different defence projects, goes against the spirit of Protocol 10 of the Treaty. This structural weakness is well described by Sven Biscop in his contribution to the EU IDEA project: “For PESCO to work a core within the core is needed: a subset of the PESCO states that takes the lead and does things” (Biscop 2020: 3).

We might thus conclude that while differentiated integration is not in itself a threat to political unity, it is not the most convincing solution to improve governance in new policy fields. The limits of the already tried models of differentiated integration are clear. Differentiated integration represents in reality an institutional compromise to avoid blockage of the communitarian decision-making system and provide an escape route in situations of unexpected crisis, but is by no means a decisive step towards the political Union.

Among the main limits we may count the following three.

First, the absence of a single strong governance system for managing the different forms of enhanced cooperation. Who is in charge of making the Eurozone dialogue with Schengen or with PESCO? Who is taking the political responsibility for coordinating the different constellations of participating countries?

Second, the three main experiments of differentiated integration have never created the full set of governing instruments needed to make them fully functional. This is particularly clear for the most advanced model of enhanced cooperation, the euro, which is still missing a system of economic governance. All three examples, therefore, represent an incomplete institutional and political compromise.

Third, differentiated integration as a complex and partial form of cooperation can't be easily explained to public opinion and obtain the necessary public support (Shikova 2020).

Today, in the post-Covid crisis, Ursula von der Leyen's Commission is trying to move back towards the normal method of progressive communitarian integration inside the Treaty framework. The Next Generation EU plan, in its original form, would point to reaching some substantial objectives, like reinforcing the “governance” role of the Commission, introducing a new set of EU resources (art. 311) inside the common budget and finally creating the base of an EU fiscal policy in support of ECB monetary intervention. But as decision-making rules to approve the plan remain the same as today (unanimity in the EUCO plus ratification by national

parliaments), it will be a miracle to get the proposal approved as it has been drafted by the Commission. The possible failure of the Next Generation plan or its substantial modification might mark the end of the communitarian decision-making system and lead towards a further fragmentation of the EU.

In this pessimistic scenario, new forms of differentiated integration might only partially help some parts of the Next Generation plan to be recovered. In reality the only alternative could be the re-founding of the Union, by going back to old projects of “Kerne Europa” or “Core Europe”, with an avant-garde of countries willing and able to proceed, even outside the present Treaty. But where to find a strong constellation of willing countries to move autonomously ahead is still an open question. Therefore, for the time being differentiated integration risks remaining the only viable way out of an eventual blockage of the Union’s decision-making procedures. But only if it is more efficient and with a clearer “governance” system, perhaps with the adoption of majority voting in the Council, including EUCO, no recourse to veto power even in case of vital national interest, and finally with a strict and direct control by the European Parliament.

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editorial

From Differentiated to "Smart" Integration

Ingrid Shikova, Sofia University “St. Kliment Ohridski” and EU IDEA Advisory Board.

Differentiated integration is one of the important topics in the debate on the future of the European Union. The key question is whether and how the implementation of differentiated integration can contribute to progress in cooperation and policy implementation in different spheres, avoiding bottlenecks and stagnation of the integration process. Already an existing political reality, differentiated integration must be planned and implemented in the most intelligent way in order to deliver positive results for the European Union and its citizens. It would be productive to discuss the management of differentiated integration, under what conditions to apply it, and what means and methods can best make it a tool for positive development of the integration process.

Based on Goal Setting Theory, this brief text proposes to adjust the SMART approach to the application of differentiated integration, ensuring its positive impact on the integration process. If we start from the statement that the goal justifies the means, then the application of differentiated integration in each specific case should have justified goals. Setting clear goals can be related to the Goal Setting Theory applied in

management. It is widely recognised as one of the most useful theories of motivation in industrial and organisational psychology, human resource management and organisational behaviour. The theory states that goals and intentions stimulate human behaviour (Locke and Latham 1990). According to George Doran (1981), meaningful goals are the framework for the desired results. The theory of Management by Objectives, developed by Peter Drucker, is largely based on the theory of goal setting. An important principle in this theory is that setting challenging but achievable goals encourages motivation to achieve them. Peter Drucker developed five steps for the practical application of his theory (Drucker, 2007). The first and main step is to determine the strategic goals of the organisation, which derive from its mission and vision. Without setting clear strategic goals, it is not possible to move on to the next steps. The second step is the acceptance of the goals by those who will fulfil them. In fact, according to Drucker, when the SMART method is used, the goals must be acceptable, clearly identifiable at all levels and everyone must know what the concrete responsibilities are. Communication has an important place in this second step. The third step is to stimulate participation in defining the specific goals. This approach increases participation and commitment to achieve the goals. The fourth step involves the creation of a system for monitoring progress, which will identify emerging deviations in achieving the goals. The fifth step is aimed at evaluating and building on the achievements.

This paper sets out to adapt Goal Setting Theory and the SMART approach discussed above, to the management of European integration, and in particular differentiated integration. First of all, there should be clear and specific goals to be achieved in the concrete area through differentiated integration. The goals must be motivating in order to achieve the expected results. Here is what the SMART approach applied to the goals of differentiated integration might look like:

S	Strategic	Clear definition of the overall goals of European integration; Careful analysis to identify policies which would be more effective at the European than the national level; Developing a strategy for the process of integration and the expected results in the concrete fields.
M	Manageable	Selecting a model that provides appropriate management of the process of achieving the goals.
A	Acceptable	Gaining citizens' support to achieve the goals.
R	Reasonable	Proper level and application of differentiated integration, where it will really contribute to the progress of the integration process; Carefully studying the potential negative effects, benefits and costs.
T	Transparent	Ensure clarity, transparency and legitimacy in decision-making within differentiated integration.

This SMART integration framework can be further developed into a SMARTER integration framework by adding two more features:

E	Ethical	Setting goals that do not lead to disregard of the fundamental values and principles of the EU and to the erosion of existing legislation at the European level.
R	Resourced	Combining pragmatic differentiation with active solidarity, providing a high level of "permeability" and sufficient resources to prepare countries that "wish to but cannot" join.

Governance theories through goal setting and the SMART approach can help the "smart" application of differentiated integration, ensuring its positive impact on the integration process. This would allow the introduction of **new terminology, an updated concept and a new narrative**. If it is really implemented in an appropriate way, in accordance with predetermined goals and requirements, if it contributes to the positive development of the integration project, if it overcomes obstacles and solves problems, if it achieves positive results – why not call it "**smart integration**"?

Five steps to smart integration

First, **the common political goal of the European Union should be clearly defined**. If the goal of building an "ever closer Union" is confirmed, as stated in Art. 1, para. 2 of the Treaty on European Union, then "opting out" of this goal and of the policies that lead to its implementation should not be allowed. (The systematic non-participation in the main policies of the European Union has in practice led to the complete alienation of the United Kingdom from the integration project and to its abandonment.) Moreover, according to Art. 4, para. 3 of the EU Treaty, "pursuant to the principle of sincere cooperation, the Union and the Member States shall, in full mutual respect, assist each other in carrying out tasks which flow from the Treaties".

Second, on the basis of the general political objective of the European Union, it is necessary to define **the specific policies and legislation which should apply to all Member States and for which it is not acceptable to opt out**. Only temporary differentiation would be acceptable for countries that are not sufficiently prepared, assisting them to overcome the difficulties. This "foundation" of policies and the corresponding legislation should not be subject to "opting out" by countries which can but do not want to participate. For example, Sweden does not have a non-participation clause in the euro area, as does Denmark, but nonetheless refrains from joining it.

Third, the next step is to **carefully identify the areas in which differentiation is acceptable**. Differentiated integration should be the "second best solution" and applied only when it will contribute to overcoming obstacles, will be beneficial to the whole integration project and will not lead to the progressive fragmentation of the European Union.

Fourth, **the transformation of differentiated integration into "smart" integration implies clearly defined objectives of the policies and a careful study of the potential negative effects on countries that remain outside it**. When pragmatism requires its implementation, the ultimate goal of smart integration should be the inclusion of more and more countries and the full participation of all Member States. Achieving this ultimate goal depends on both its successful implementation and the provision of "permeability" by those already involved. Smart integration needs an appropriate institutional model for its implementation, in order not to affect the general interest of the European Union, as well as to ensure transparency in decision-making processes. This type of integration should only be seen as a necessary step in order to make more effective and timely decisions and speed up the integration project.

Fifth, last but not least, a very important step in achieving the goals of smart integration is convincing the citizens and **creating positive public opinion**. One of the important merits of the SMART approach is that it focuses on goals and stimulates discussion about these goals. After all, part of the value of SMART goals is

that they focus people on the act of setting goals and prompt discussion of these goals with others—which in and of itself holds merit (Rubin 2002). Clear, concrete, albeit difficult goals lead to better performance than vague but easy goals. The public opinion should be convinced that this approach is not a way to create first-class and second-class EU membership.

In recent decades, European integration has not only deepened and expanded significantly, but has also become increasingly differentiated. Whether we call it flexible, differentiated or "smart" integration, it must be applied cautiously, intelligently and purposefully in order to see in the future European Union the good face of the two-faced Janus.

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EU IDEA PUBLICATIONS

European Defence and PESCO: Don't Waste the Chance

Sven Biscop, European Security and Defence College (ESDC); Ghent University; Egmont – Royal Institute for International Relations.

Permanent Structured Cooperation (PESCO) is a major initiative in differentiated integration within the EU in the field of defence. This paper assesses whether the legal framework (the 20 binding commitments), and the way the 25 participating member states have organised to implement it, are sufficient to achieve the purpose of PESCO. Moreover, it asks the question whether there is a clear sense of purpose at all. Analysing the ongoing debates between the member states about the future of the Common Security and Defence Policy as a whole, the paper then proposes recommendations to make PESCO work: by focusing on a more concrete objective, by prioritising strategically relevant projects and by enhancing compliance.

Uniformity and Differentiation in the Fundamentals of EU Membership: The EU Rule of Law Acquis in the Pre- and Post-accession Contexts

Ivan Damjanovski, Ss. Cyril and Methodius University in Skopje; **Christophe Hillion**, Norwegian Institute of International Affairs (NUPI), Universities of Oslo and Leiden; **Denis Preshova**, Ss. Cyril and Methodius University in Skopje.

The paper discusses the nexus between the EU pre-accession conditionality and membership obligations to

guarantee respect for the rule of law as a founding value of the EU, common to the Member States. It does so through the prism of the notions of legal uniformity and differentiation. The paper examines how the EU's rule of law promotion in the accession process converges with and potentially inspires the progressive EU articulation of standards applicable to the Member States. By focusing on the judicial dimension of the rule of law, it is argued that while a certain diversity is conceivable in the manner in which the rule of law is observed, and more specifically in how judicial independence is achieved at the national level, there is a functional rationale for the EU to circumscribe the heterogeneity of national judicial systems – and accordingly, for elaborating common rule of law standards in the EU.

Brexit and External Differentiation in Single Market Access

Andreas Eisl, Institut Jacques Delors; Eulalia Rubio, Senior Research Fellow on European Economic Policy.

This policy brief develops two possible scenarios (closer vs. looser cooperation) of a future EU–UK economic relationship. After analysing how they fit into the existing EU landscape of external differentiation, it assesses these two scenarios in terms of effectiveness – defined as the capacity to reduce economic disruption – and their potential effects on the EU's political unity. The paper concludes that the scenario of closer cooperation is superior in its capacity to minimise economic harm both for the UK and for the EU, and to provide a climate for long-term economic cooperation. Regarding the impact on EU cohesiveness, we contend that the biggest threat to its unity would be an “unbalanced” agreement providing a level of advantages not matched with a corresponding set of obligations. This could spark desires for more differentiation among EU member states and trigger third-country demands to renegotiate existing EU regimes of external differentiation.

EU IDEA SPECIAL INITIATIVE



EU IDEA has launched “**Framing Brexit: EU IDEA visual and video award**”, aimed at giving the opportunity to young people to express through visual artworks how they are experiencing and interpreting the exit of the United Kingdom (UK) from the European Union (EU). After decades of increasing integration among European countries, this is the first time that a country has opted to leave the EU.

The UK's departure, on 31 January 2020, marks an unprecedented twist in the history of European integration, with far reaching implications for the lives of millions of people and those of young generations in particular.

People between 18 and 30 years old are invited to illustrate through artistic creations what Brexit means for them.

They can send us their videos, photos or any type of visual artworks representing how they are experiencing and interpreting the departure of the UK from the EU, no later than 12:00 midnight of 15th October 2020.



FROM THE NETWORK

Publications

Brexit negotiations: linkages need to be handled with care

by Kalypso Nicolaidis, *member of EU IDEA Advisory Board, Professor of international relations in Oxford and Chair of the Oxford Working group on Brexit*, March 2020

Beyond Coronabonds: A New Constituent for Europe

by Nicoletta Pirozzi, *Head of IAI Programme "EU politics and institutions" and Institutional Relations Manager at the Istituto Affari Internazionali (IAI)*, April 2020

Covid-19 bends the rules on internal border controls: Yet another crisis undermining the Schengen acquis?

by Saila Heinikoski, *Finnish Institute of International Affairs (FIIA)* briefing paper, April 2020

The European Green Deal: Assessing its current state and future implementation by Marco Siddi, *Finnish Institute of International Affairs (FIIA)* Working Paper, May 2020

Sharpening EU sanctions policy: Challenges and responses in a geopolitical era

by Niklas Helwig, Juha Jokela and Clara Portela, *Finnish Institute of International Affairs (FIIA)* report, May 2020

TEPSA Recommendations, Compiled

by Nicoletta Pirozzi, Funda Tekin, Ilke Toygür, *TEPSA Network*, June 2020. Contributions:

- *A Plea for the German Presidency: investing boldly and smartly in the future*, by Nicoletta Pirozzi (Istituto Affari Internazionali), Funda Tekin (Institut für Europäische Politik) and Ilke Toygür (Real Instituto Elcano);
- *Supporting the EU's economic recovery*, by Michele Chang, College of Europe, Bruges;
- *Climate change and sustainability*, by Gaby Umbach, European University Institute, Florence;
- *Resilience of the EU's project*, by Saila Heinikoski, Finnish Institute of International Affairs, Helsinki;
- *Strengthening the EU's role in a post-COVID world*, by Niklas Helwig, Finnish Institute of International Affairs, Helsinki.

Finnish-Swedish defence cooperation: What history suggests about future scenarios

by Charly Salenius-Pasternak and Henri Vanhanen, *Finnish Institute of International Affairs (FIIA)* briefing paper, June 2020

| Past events

FIIA Webinar: EU Sanctions Policy for a Geopolitical Era

27/05/2020 FIIA, Helsinki

Sanctions (i.e. restrictive measures) are among the toughest measures adopted by the EU in response to breaches of international norms and to security threats. Recently, stronger and more targeted economic sanctions against Iran and Russia have demonstrated the Union's strength in the face of grave security policy challenges. The increasingly unilateral and unpredictable US sanctions policy and the UK's withdrawal from the EU pose challenges to this more forceful approach during times of increasing geopolitical and geo-economic competition. How to strengthen the EU sanctions policy in light of these challenges? What are the implications of developments in the EU sanctions policy for Finland? The seminar will mark the publication of the study titled *Sharpening EU sanctions policy for a geopolitical era*. The study is the final report of the research project *The development of EU's sanctions policy: Political and economic implications for Finland*, which was conducted jointly by FIIA and ETLA Economic Research as a part of the implementation of the Finland's Government Plan for Analysis, Assessment and Research (VN TEAS).

FIIA Webinar: The European Green Deal: Green policies in Europe and beyond

28/05/2020 FIIA, Helsinki

In December 2019 the European Commission presented the European Green Deal, the key plan to advance the EU's climate agenda. More ambitious EU decarbonisation targets for 2030 and climate neutrality by 2050 are the main goals. The Green Deal also includes new plans and strategies for sustainable investment, carbon border adjustment, the European industry, sustainable agriculture and biodiversity. The Commission has stated that the Green Deal will remain a priority despite the Covid-19 crisis. Is the Green Deal a step change in EU climate and energy policy? What are the main challenges to its implementation? How will it impact the role of the EU as a global actor? The webinar was organized by the Finnish Institute of International Affairs in cooperation with the Initiative for Sustainable Energy Policy (ISEP) at Johns Hopkins School of Advanced International Studies (SAIS).

THE CONSORTIUM



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