

Variable geometry

A multi-speed, multi-layer Europe

Belgian Foreign Minister: Didier Reynders

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In the absence of Minister Didier Reynders, this speech was pronounced by
Director general for EU Affairs François Roux

Ladies and gentlemen,

A multi-speed, multi-layer Europe is a recurrent theme which is familiar to all those who have been following the European construction.

Variable geometry Union is not a new theme.

What **is** new is that it comes up more and more often in the speeches delivered by European heads of state and government.

Since the signing of the Schengen Agreements, variable geometry also called differentiation has become an accepted fact.

Does this mean differentiation is the panacea for the future of Europe?

Certainly not. A multi-speed, multi-layer Europe could in fact mean more complexity less transparency, less reliability. It could even make the whole construction more unstable.

However, I am convinced that if a new convention on the future of Europe is called for, variable geometry will be high up on its agenda.

The outcome of the referendum in the UK and the debate on the need for further integration of the Eurozone are two strong incentives which will ignite the debate.

In the five coming years something should probably be done about differentiation.

What should be done? How should it be done? These are the questions I would like to share with you today.

I. Review the variable geometry concept

A. The situation today

As President Van Rompuy has formulated it, the European Union has 2 hearts: the single market and the single currency.

Around these 2 hearts of Europe, 4 categories of countries have organized themselves:

- The states which are outside the EU but would like to profit more from its single market.
- The EU member states which have not adopted the euro and would like to limit European integration to the integrity of its single market.
- The EU member states members of the Eurozone which are ready to accept a higher degree of integration of their national economic and social policies.
- The EU member states which are still waiting to apply for the Eurozone but cannot either because they are technically not ready or because political conditions are not met.

What is very striking today is the perception that none of these categories of countries are satisfied with the present situation.

- States outside the EU belonging to the European continent and in some case members of the European Economic space, have to apply single market rules without having a say in the legislative processes.
- Some members of the EU participating in the single market and involved in its decision making process have "second thoughts" about certain EU common policies for which they seek opt outs or compensations.
- The EU member states eager to join the Eurozone would like to already have a say on the deepening of the EMU.
- Finally, the Eurozone member states find it problematic to accept the intrusion of non-Eurozone member states in Eurozone governance rules.

B. There is a need for clarification

And this need for a clarification is going to increase over the coming years for the following reasons:

- The functioning of the EU must become more manageable and understandable.
- A clear solution to the challenges of previous enlargements must be provided.
- A more palatable response must be given to
 - o Member states which are reconsidering their EU membership;
 - o Candidate countries recognized as such;
 - o Countries which rejected membership but which could be attracted by a lighter integration process.
- EU member states who want to proceed with further integration should not be stopped.

How can differentiation be clarified?

The obvious response to that question is: Let us fix the EU institutions in accordance with the political choices of European states.

Easier said than done.

First of all this can only be done by calling a new convention and proceed with yet another treaty change.

Second: this can only be sold to public opinion if no additional institution is created let alone the multiplication of existing institutions.

C. What could be envisaged?

A credible variable geometry Union has to be understandable and based on common sense. It should not exclude anyone.

The case of a 2 speed Europe can be made. But a multi-speed Europe (meaning 3 or more speeds) would be both hard to understand and impossible to manage.

This is the reason why, one should refrain in extending variable geometry to all EU policies at once.

- In some cases variable geometry has already imposed itself (Schengen);
- In other cases, the level of integration has not reached sufficient maturity to embark on a differentiation process.

A point of departure could therefore be the 2 hearts of Europe : its single Market and the Euro.

Around these 2 very concrete achievements of EU integration, one could proceed with the following rationalization:

- First: Make the UE coincide with the Economic and Monetary Union.
- Second: Develop a wider institutional framework for the governance of the Single Market to which some non EU Member states would be associated.

II. How could such a rationalization be done?

A. An implicit and innovative approach

Variable geometry cannot be imposed.

The “multi-speed Europe” concept has a bad name especially in the capitals of Member States which joined the Union after 2004.

The temptation of rebuilding Europe around a “Kern Europa” composed of the 6 founding Member states was very much alive in the early 90’s.

Today it would not make any sense for both political and economic reasons.

Differentiation is often perceived as a tentative to divide Europe again. While, in fact, it is only a pragmatic process which is governed by the capacity or the will of EU member states to go further in the integration process.

- i) The deepening of the EMU is the perfect illustration of this pragmatic process.

Between 2008 and 2013 huge and impressive steps were taken by the Eurozone member states as a response to the major financial and economic crisis and the threat of a collapse of the Euro.

This development is actually the reason why we speak more and more about a 2 tier Europe today meaning the differentiation between the 18 Eurozone member states versus the 28 EU member states.

The fact is that the majority of EU member states who do not belong to the Eurozone are still hoping to join it in the near future.

These member states perceive probably already the advantages of belonging to the Eurozone.

Without taking too many risks, I would say that the turning point will probably be the decision by Poland to join the EMU.

Afterwards, the Eurozone will quickly count close to 28 member states.

- ii) Looking at differentiation from a single market perspective, things are a bit different.

All 28 EU member states are participating in it.

The integrity of the single market is a widely shared objective.

In a few cases, certain member states have used the "in-built" Treaty flexibilities such as "enhance cooperation procedure" or opt-outs.

However the real challenge today is whether access to the Single market should be extended to some non EU member states : Norway, Iceland, Liechtenstein (all 3 European Economic Area member states) and why not Turkey and Switzerland?

One innovative idea could be to use the European Economic Area (EEA) as the institutional framework for the governance of the "enlarged" single market.

Starting from the EEA agreement, the idea would be to redesign the perimeter of the single market in order to include those EU member states who do not want to become part of the Eurozone as well as European countries outside of the EU which fulfill the requirements to participate to the Single Market.

No new institution would have to be created.

The EEA council would become one of the EU Council formations competent for the Single Market.

The 28 + member states would have the possibility to adopt legislation on all matters related to the Single market through the co-decision procedure.

A special "single market committee" composed of EU Members of the European parliament as well as Members of national parliaments coming from non EU member states would have to be set up in the European Parliament.

The non EU member states I singled out would also be able to participate to some EU programs to which EES member states would wish to be associated.

B. What could be the advantages?

The viability of the rationalization I am proposing today should of course be tested. This is precisely why I am mentioning it today in Egmont. Experts should have thorough look at it.

If practicable, this suggestion would offer quite a few advantages:

1. It would make it possible for all EU member states which want to do so to participate to the single market without submitting themselves to the requirements needed to belong to the Eurozone.
2. The Eurozone member states would be able to progress towards deeper integration of EMU with the aim of forming a genuine Political Union.
3. Those countries which have not yet joined the EU for national reasons or because of the opposition of EU member states could participate to the EU single market without embarking on a long enlargement process.
4. Although a treaty change would probably be required, the recourse to EES governing bodies would spare us the creation of new institutions.

Conclusion

Since differentiation will stay with us in the coming years, it is only right to look at it from different angles.