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EU scenarios for 2027

Antonio Estella



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Antonio Estella | Jean Monnet Professor of Law and European Economic Governance,
Universidad Carlos III, Madrid | @antonioestella 

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'Our wills and fates do so contrary run, that our devices still are overthrown; our thoughts are ours, their ends none of our own'.

—William Shakespeare
Hamlet, Act 3, Scene 2.

(1) Introduction

In 2008 I published a paper on 'EU scenarios for 2017' (Estella, 2008). It was written over the course of 2007, discussed in different economic, legal and political circuits, and finally published by the Elcano Royal Institute a year later. The report was motivated by the discussion on the future of the EU that started that year with the establishment by the European Council of 14 December 2007 of the so-called 'González' reflection group. The group, chaired by the former Spanish Prime Minister Felipe González, started work at the beginning of 2008 and delivered its final report in 2010 (European Council, 2010). The aim of my 2008 report was to try to ascertain where the EU would be in 2017, and why it would be there.

The object of this working paper is to make exactly the same exercise that I did 10 years ago and make a projection on what the future of the EU will be in the coming 10 years, that is, in 2027. As in 2007, this kind of exercise is prompted, first and foremost, by a prior move by the EU's institutions, which began the same debate in March 2017. In the European Commission's White Paper titled 'Reflections and scenarios for the EU27 by 2025', it reflects on the different scenarios in which the EU could be in 2025.¹ For reasons of symmetry with my 2008 paper, I have added two more years to my own analysis: *peu importe*. The results will not be dramatically modified by the addition, since we are looking at the structural trends that are impacting upon the EU's fate.

This paper is written at a very critical time for the EU. Among other issues, the European project is just starting to overcome the most serious economic crisis that Europe and the world have seen since the 1929 crash: the financial crisis that began in 2008, which impacted the EU very severely. The EU is also currently suffering from the stress caused by Brexit, which will have, as this paper will argue, unprecedented consequences for the future of the European project. And finally, the Union is troubled as a result of the regionalist movements that some Member States, notably Spain, are witnessing at the time of writing. As Louis Armstrong song aptly claims: 'so little time, so much to do'. However, in these distressed times for the European project, it seems more appropriate than ever to discuss in public what its future will be (see Closa & Molina, 2018).

¹ The Commission's 2017 White Paper on the Future of Europe 2025 has been later supplemented by the following papers, all of which are authored by the European Commission: (1) Reflection Paper on the Social Dimension of Europe (COM(2017) 206 of 26 April 2017); (2) Reflection paper on Harnessing Globalisation (COM(2017) 240 of 10 May 2017); (3) Reflection paper on the deepening of the Economic and Monetary Union (COM(2017) 291 of 31 May 2017); (4) Reflection paper on the Future of European Defence (COM(2017) 315 of 7 June 2017); and (5) Reflection paper on the Future of European Finances (COM(2017) 358 of 28 June 2017). To this should be added Jean-Claude Juncker's State of the Union address "Catching the winds in our sails" of 13 September 2017 (an annotated version is available at https://ec.europa.eu/commission/sites/beta-political/files/soteu-explained_en.pdf). To simplify the analysis this paper mainly focuses on the European Commission's White Paper on the Future of Europe 'Reflections and scenarios for the EU27 by 2025'.

This paper is organised as follows. Section (2) addresses the question of what went right and what went wrong with my previous prediction. Interestingly, it will be shown that although the prediction was essentially right the reasons for it were essentially wrong. In section (3) I move on to the refinement of my previous (2008) model. The section is divided into two major sub-sections: (3.1) the refinement of the dependent variable, which is integration and (3.2) the refinement of the independent variables, which are now enlargement, economic growth, immigration and exits, and the refinement of the mechanisms that underlie the previous independent variables. Section (4) shows how the interplay of these independent variables works. Finally, section (5) wraps up some of the arguments and makes a prediction on where the EU will be in 2027.

(2) The prediction for 2017: rights and wrongs

In my paper 'European Scenarios for 2017' (Estella, 2008) I predicted that the EU would be placed in 2017 between what I then called the status quo and the variable geometry scenarios. The main reason for the prediction was enlargement: 'in the next ten years the EU w[ill] enlarge to four States in the most realist scenario and to six States in the most optimist one'. Ten years later the prediction has turned out to be more or less accurate, but the reasons have not. My previous paper placed too much weight on the importance of enlargement. Further, it did not introduce in the predictive model the economic crisis that broke out in 2008. Instead, it is the economic crisis that started in 2008 that is the variable that explains why the EU is today between the status quo and the variable geometries scenarios. This section first reviews what the situation is as regards enlargement; secondly, it moves on to the impact and importance of the 2008 economic crisis in the current European process of integration; and third, it discusses why it can be ascertained that we are in a situation between the status quo and the variable geometry scenarios.

(2.1) Enlargement

My 2008 paper anticipated that the EU would be enlarged to Croatia, Macedonia, Albania and Montenegro in the most realistic scenario, and to these countries plus Bosnia Herzegovina and Serbia in the most optimistic one. Of all these states, only Croatia has entered the EU, in July 2013,² proving that even the paper's realistic scenario was overly optimistic. What follows is a quick description of the situation as regards the rest of the States mentioned in the list above (plus Kosovo), incorporating some other reflections on the issue of enlargement.

Macedonia submitted its formal application to become a member of the EU in 2004. The EU granted it the formal status of candidate country in 2005. In the latest Commission report for Macedonia (2018),³ the European Commission acknowledged that it had made some progress, especially after signing and implementing the 'Pržino Agreement' of

² See 'Treaty between the Member States of the European Union and the Republic of Croatia concerning the accession of the Republic of Croatia to the European Union', OJEU 112/10 of 24/IV/2012.

³ All the Commission's reports on each of the candidate countries and potential candidate countries that are cited in the text are at https://ec.europa.eu/neighbourhood-enlargement/countries/check-current-status_en.

2015 and the 'Urgent Reform Priorities', also of 2015. In particular, the Commission's evaluation was positive as regards political reforms, the reform of the public administration and the judiciary, the fight against organised crime, the securing of fundamental rights in the country, regional cooperation with Macedonia's neighbours (except for the 'name issue', which 'needs to be resolved as a matter of urgency') and the management of the refugee and migration crisis. This progress notwithstanding, the Commission's report pointed at some important weaknesses: the ethnic situation is still fragile in the country, corruption is prevalent and a 'serious problem', economic reforms still need to be undertaken and, what is probably more important, with regard to Macedonia's ability to assume the obligations derived from membership to the Union, 'further efforts are needed across the board'.

Albania submitted its formal application for becoming a Member State of the EU in 2009. The status of candidate country was granted to Albania in 2014. In the latest progress report for Albania (2018), the European Commission detected that progress had been made in many areas in the context of the so-called 'Five Key Priorities'. According to the Commission's report, Albania has made headway with regard to the reform of the country's judicial system and regional cooperation. Progress is also seen as regards the reform of the country's public administration, though only moderately. Progress is also moderate as to the fight against organised crime, since little headway has been made in dismantling criminal groups. Some progress is also detected as far as the economic chapter is concerned, but, according to the Commission's evaluation, business regulation remains cumbersome and there are still shortcomings in the rule of law, deterring investments. However, the Commission's report also makes it clear that more efforts are to be done in the political area, since strong polarisation remains 'in the political establishment'. Other detected weaknesses are corruption, which, as in the Macedonian case, remains prevalent and a serious problem, and the enforcement of human rights protection mechanisms. The Commission also underlines the (negative) fact that there are still many unjustified asylum applications lodged by Albanian nationals to EU Member States. On a more positive tone, the report finally indicates that Albania's overall ability to match the EU's membership obligations has been enhanced, though progress still needs to be made in this area as well.

Montenegro filed a request for membership in 2008 and the EU granted it the status of candidate country in 2010. The latest Commission progress report (2018) detects moderate progress in the areas of public administration, judicial reform and, above all, regional cooperation with its neighbours. The Commission also acknowledges progress on the economic front, though it also indicates that the country faces structural economic challenges such as, for instance, high unemployment rates. Concerning its ability to assume the obligations of membership, the Commission acknowledges the important work the country has made in aligning with EU membership criteria, though efforts remain to be done in the areas of competition policy, environment, climate change and public procurement. However, the Commission's analysis detects remaining weaknesses as regards political criteria, with a highly fragmented and polarised political scene. Despite some progress, the Commission also thinks that, as in the previous cases, corruption is rampant and a serious cause for concern. The enforcement of fundamental rights is another issue, since gender-based violence and violence against children are both widespread. The Commission also detects interferences in the area of

freedom of the press. Finally, the Commission understands that further improvements need to be made with regard to the management of migration flows.

Serbia filed a request for EU membership in 2009 and was granted the status of candidate country in 2012. In the progress report of 2018 the Commission found a considerable number of problems, like the effective oversight of the executive, the depoliticisation of its public administration, the independence of its judicial branch, the fight against corruption ('still a serious problem', says the Commission) and organised crime, and, importantly, the normalisation of its relations with Kosovo. According to the report, progress still needs to be made in the area of economic reforms and the country needs to put in place a stronger framework for migration management. On a more positive note, the Commission underlines that the country's ability to assume the obligations derived from membership has improved since its previous report on the country in 2016.

Bosnia Herzegovina requested EU membership in 2016 but it has so far not been granted the status of candidate country. It therefore remains a 'potential candidate'. In its latest progress report (2018) the Commission detected a number of problems, such as the breach of the Convention of Human Rights by the Bosnian constitution, the reform of its public administration (which is, according to the Commission's report, at an early stage), the independence of its judicial system, the fight against corruption and economic reform. In general terms, Bosnia Herzegovina has experienced very little progress since the European Commission issued its previous report in 2016.

Kosovo also has 'potential candidate country' status. In its latest report (2018), the Commission underlines a considerable number of weaknesses with regard to Kosovo on the political front, the reform of its public administration, the judiciary (still 'vulnerable to undue political influence', according to the Commission) and the enforcement of human rights. As in the cases reviewed above, corruption is widespread and a cause of concern for the Commission. Further efforts are also necessary to improve its relations with Serbia. The Commission is more positive about combatting organised crime and about economic reforms, although as regards the latter there are still many issues the country must address, such as the size of its informal economy, unemployment and the weakness of its production base. Finally, the country's ability to adopt EU standards with a view to joining the EU has to be improved.

It is important to say that the climate regarding enlargement has changed profoundly following the economic crisis of 2008. If before the crisis the climate was quite favourable to enlargement, after the economic crisis the EU's stance on the issue is far more prudent. For instance, in May 2010 the González Reflection Group said that:

'The EU must stay open to potential new members from Europe, assessing every candidacy on its own merits and compliance with the membership criteria. These are in fact the "true limits of Europe". In line with this policy of engagement and inclusiveness, the Union must honour its commitments with regard to the current official candidates, including Turkey, and carry on with the negotiation process. At the same time, it should offer far-reaching agreements to potential future candidates as an intermediate stage prior to the launch of accession negotiations.'

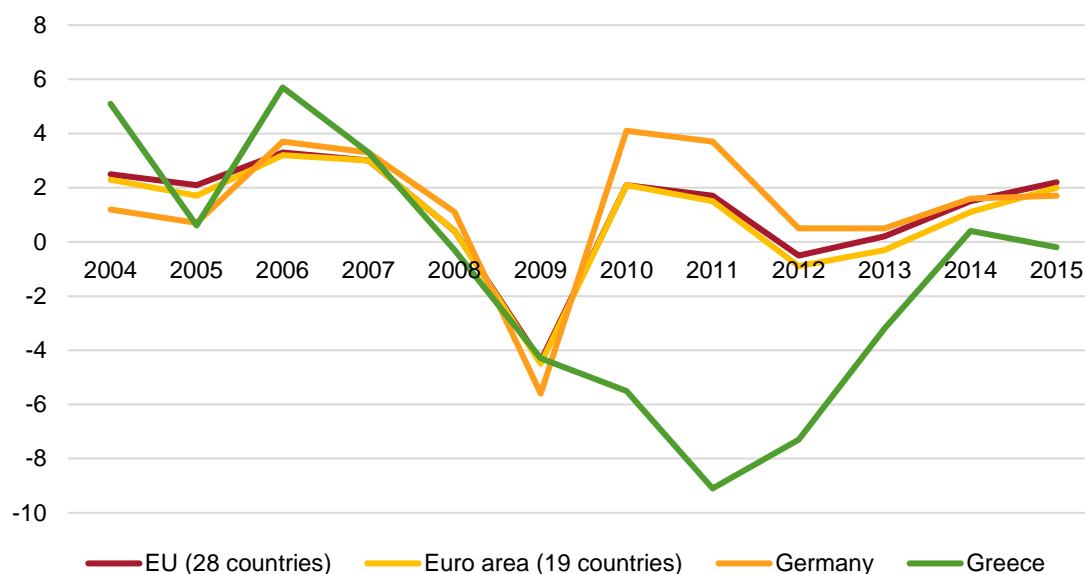
Now, in the Commission's recent White Paper on the 'Future of Europe: reflections and scenarios for the EU27 by 2025' (2017), enlargement is not mentioned even a single time, a point further reinforced by the fact that none of the Reflection papers that the European Commission has produced after the publication of the 2017 White Paper on the Future of Europe (see footnote 1) directly deals with the matter. It is obvious that enlargement is low on the EU's current agenda, at least for the short and medium term, and until the tail-end of the crisis is fully managed (Börzel, Dimitrova & Schimmelfennig, 2017). Europe is experiencing a substantial degree of what is usually alluded to as 'enlargement fatigue' (Szolucha, 2010).

This last point particularly concerns a country that was not considered in my 2008 report, whether in the realist or optimist enlargement scenarios: Turkey (see the 2018 Commission report on the issue). Although the EU began accession negotiations in 2005, the unresolved Cyprus question has prevented any progress in the negotiations, which are now in a stalemate. More broadly, the issue of Turkey's accession to the EU poses challenges from the perspective of the latter's migration policy. It also prompts more fundamental questions in relation to the identity and idiosyncrasy of the EU that must be resolved –if they ever can be– before it joins. In this respect, the issue of Turkey's accession remains where it was when I wrote my 2008 report.

The conclusion is that although some progress has been made compared with 2008, since Croatia is now in the EU and more countries have the formal status of candidate countries than in 2008 (Albania, Montenegro and Serbia) the pace of enlargement seems to have been slowed down by the EU at least for the near future. It is important to note that all the countries reviewed have significant problems with corruption that need to be tackled before access to the EU can even be considered. That includes Turkey also. Hence, enlargement, which was the key element in my explanation of 2008, will play a reverse role in this paper's prediction, as shall be shown below.

(2.2) The 2008 crisis

The financial turmoil that began in September 2008 was unexpected at the time of drafting my previous paper. Not only was such an explosion unexpected but, more importantly, the intensity and gravity of the crisis, as well as its length, were clearly not foreseen in 2007. For instance, the González report, delivered in mid-crisis (2010), took stock of the situation but viewed it rather as an opportunity to make a stronger case 'for enhanced economic coordination in the EU'. The second wave of the crisis, that started in late 2010 and early 2011 (see Figure 1), which made it almost unmanageable, was in the mind of no one at the time.

Figure 1. GDP growth during the crisis

Source: Eurostat (2016).

It is also interesting to note that the González report did not blame the EU, and in particular, the euro, for the crisis. The origin of the crisis was ‘on the other side of the Atlantic’, it was not ‘created’ by Europe’s citizens, who suffered by it, and it ‘had little to do with the Euro and Stability and Growth Pact’.

What is true is that the evidence we have today was not probably available at the time in when the report was being written. Today we know that the crisis was triggered at the other side of the Atlantic but that it would not have set ablaze Europe had it not been for the weakness of the EU’s economic governance structures in place at the time. The impact of the crisis was stronger on this side of the Atlantic and more prolonged than in the US, precisely because of this particular weakness which was specific to the EU.

As the story is already well known and has been amply analysed by many experts who have worked on it over the past few years (de Grauwe, 2016; Wolf, 2015), I will just summarise the sequence from 2008 onwards (Estella, 2018). The crisis broke out in September 2008, when Lehman Brothers filed a request for Chapter 11 bankruptcy protection under US law. Contrary to other the case with other institutions, the US financial authorities decided to let Lehman fall. This prompted a worldwide chain reaction: financial institutions began to mistrust each other and inter-bank credit almost came to a halt. This had an impact as regards the real economy, since credit to firms and households dried up. For instance, in Spain, a housing bubble emerged in the bonanza years and then burst as a result of the credit crunch. This gave rise to a chain reaction that affected virtually all sectors of the Spanish economy and pushed unemployment to almost unsustainable levels. Ireland is another case in which something similar happened. Other peripheral Member States did not experience a housing bubble but were also very severely hit by the crisis due to a high exposure to debt, Greece being a case in point.

What the crisis revealed was that Europe, and in particular the Eurozone, was sitting on a clear and obvious imbalance: while the peripheral countries were suffering, the core Member States of the Union were not (and some of them, like Germany, were even benefiting from the crisis since, for instance, it was selling bonds at negative prices). This was the nucleus of the European crisis, which made it take a specific, 'European', course. The reason for the imbalance was a direct result of the way in which the EU's economic governance structure, and in particular the Eurozone's, had been designed and implemented.

Further developing this point, as de Grauwe (2016) points out the Eurozone economic governance system that emerged from the Maastricht Treaty, later implemented in 1999, was very incomplete. The Eurozone lacked, at the very least, a wider configuration of the ECB's powers, a banking union and a common financial supervisory and regulatory framework, a common system of deposit insurance, a Fiscal Union, a system of Eurobonds and other solidarity mechanisms, such as a common system of automatic stabilisers to weather asymmetric crises. To this should be added two further points: (1) the EU Treaty introduced a rather bold, although inapplicable, no-bail-out rule; and (2) the Stability and Growth Pact, that is, the specific EU system of rules for fiscal governance, was conceived in very stringent terms.

All these elements played in the following way when the crisis broke out. As we know, the European crisis was first of all a financial crisis that subsequently became a public-debt crisis. Following the recommendations of the G-20,⁴ the first reaction of the EU Member States that were in trouble was to pump money into the domestic economies to re-activate demand. This delivered, but turned the situation into a public-debt crisis. Since, following G-20 recommendations, States had indebted themselves to re-activate their economies, they reached what markets considered to be unsustainable debt levels. Greece was a case in point: when it was close to default on its debt, there was a contagion effect. Other European capitals, although showing better economic fundamentals, were hit by the financial markets, which raised their risk premiums.

Troubled Member States set their sights on the EU and requested its help. After all, article 222 of the Functioning Treaty, which incorporates the so-called 'solidarity clause', says that 'the Union and its Member States shall act jointly in a spirit of solidarity if a Member State is the object of a terrorist attack or the victim of a natural or man-made disaster' (see also article 122). The EU institutions answered starkly that according to article 125 of the FTEU, bail-outs were prohibited in the EU context. Further, according to article 123 FTEU, ECB bail-outs were also forbidden. Neither the Union's institutions nor its most independent institution, the ECB, could rescue Member States.

To the contrary, the EU institutions argued that Member States should respect the stringent rules of the Stability and Growth Pact, which introduced the well-known ceilings of 3% of government deficit and 60% of public debt. It was important for the Member

⁴ See point 7 of the Declaration of the Summit on Financial Markets and the World Economy in Washington DC, 15 November 2008: '... As immediate steps to achieve these objectives, as well as to address longer-term challenges, we will:... Use fiscal measures to stimulate domestic demand to rapid effect, as appropriate, while maintaining a policy framework conducive to fiscal sustainability' (<http://www.g20.utoronto.ca/2008/2008declaration1115.html#actions>).

States in difficulties to remember that although there could be some flexibility in interpreting such rules at times of crisis, both rules had nonetheless to be respected. This was a further constraint to crisis management. Moreover, as a banking union and a common supervisory framework were not in place when the crisis began, it was difficult to know what the exact shape of the European financial system really was. Finally, as solidarity mechanisms were not in place, the Union reacted to the Member States' SOS in a slow and rather clumsy way. All this created the conditions for a perfect storm, that became a tsunami between 2011 and 2013, when the crisis reached its peak.

It is true that since the crisis started many things have changed in the EU's economic governance structure. There is an incipient banking union and a common financial supervisory framework, the ECB has probably interpreted its mandate beyond the strict rules of the FTEU, the European Stability Mechanism is in place and the EU is undertaking the nth-reform of the Stability and Growth Pact in order to give it further flexibility. But the point is that the crisis, and its intensity, put a brake on the integration process. In my opinion it is wilful to say that all these (and other) changes went in the direction of greater supranational integration (Dehousse, 2016). To this I shall turn in the next sub-section.

(2.3) Between the status quo and the variable geometry scenarios

My analysis of 2008 put forward possible future scenarios for the EU:

- Scenario 1: termination
- Scenario 2: variable geometries
- Scenario 3: status quo
- Scenario 4: incremental integration with variable geometries
- Scenario 5: incremental integration without variable geometries
- Scenario 6: political union

For a description of these scenarios, please see my 2008 paper. The point that I want to make in this sub-section is two-fold: first, that these scenarios have been approximately taken up by the European Commission, at least in their basic traits; and secondly, that my prediction of 2008 was more or less accurate in the sense that we are now at a point in between the status quo and the variable geometries scenarios.

To start with, the European Commission, in its White Paper on the 'Future of Europe: reflections and scenarios for the EU27 by 2025' (2017), devised the following possible scenarios for the EU:

- Scenario 1: carrying on
- Scenario 2: nothing but the Single Market
- Scenario 3: those who want more do more
- Scenario 4: doing less more efficiently
- Scenario 5: doing much more together

The first scenario, 'carrying on', is in principle reminiscent of my 'status quo' scenario. But a closer look at the Commission's understanding of what 'carrying on' means, it

seems to me more appropriate to say that it resembles my 'incremental integration without variable geometries' scenario. Thus, according to the Commission, under the 'carrying on' scenario, 'the 27 Member States and the EU Institutions pursue a joint agenda for action. The speed of decision-making depends on overcoming differences of views in order to deliver on collective long-term priorities'. Further, in a later passage, the Commission says: '[under the carrying on scenario] there is incremental progress on improving the functioning of the single currency in order to drive growth and prevent shocks starting at home or abroad'. Therefore, the idea is that under this scenario the Commission envisages a situation in which incremental steps towards integration take place smoothly. Variable geometries are not even mentioned, which means that it cannot be linked to my fourth scenario, of incremental integration with variable geometries.

The second scenario, 'nothing but the single market', resembles my 'status quo' scenario, with a particular focus on single-market integration. Thus, according to the Commission, this scenario would be characterised by a situation in which 'the EU27 cannot agree to do more in many policy areas, it increasingly focuses on deepening certain key aspects of the single market. There is no shared resolve to work more together in areas such as migration, security or defence'. As a result, the Commission adds, 'the EU27 does not step up its work in most policy domains' and 'the functioning of the single market becomes the main "raison d'être" of the EU27'.

As noted above, I defined my 'status quo' scenario in a situation in which the EU integration process would be basically frozen. Having said that, I added that 'I do not include in this picture a total and absolute EU paralysis, as if the EU had become a quadriplegic'. The point is, rather, that 'the basic equilibrium between supranational and intergovernmental features... that is characteristic of today's Europe would not be altered'. This is precisely what the Commission is, in my opinion, trying to describe with the scenario, with the only qualification that the single market would experience a greater degree of integration. But this does not alter the main idea underlying the status quo concept, since the development of the single market has always been at the very core of the European project. The rest of the policies would experience virtually no further development.

The third scenario, 'those who want more do more' clearly falls within my second scenario, 'variable geometries'. The Commission defines this scenario as a situation where 'new groups of Member States agree on specific legal and budgetary arrangements to deepen their cooperation in chosen domains'. Such domains include, according to the Commission, not only security and defence (where, as noted, reinforced cooperation is already envisaged by the Treaties), but also 'taxation and social matters'. In turn, I defined the 'variable geometries' scenario as a situation in which the use of this option would become, with time, pervasive in the EU. I think this is the spirit of what the Commission has in mind when it speaks of a 'those who want more do more' scenario. Regardless of the fact that other policies, such as the single-market integration policies, would be managed in common, the accent would be on a more generalised use of variable geometries.

The fourth Commission scenario, 'doing less more efficiently', would be a sort of 'subsidiarity scenario'. I did not devise a specific subsidiarity scenario in my paper but I

did envisage an 'incremental integration with variable geometries'. I believe that 'doing less more efficiently' resembles my 'incremental integration with variable geometries' scenario, since the only way to discriminate between areas in which the Union would do less and areas in which it would do more would be through variable geometries. In fact, the Commission recognises that the difficulty with this scenario would be for the Member States to agree on how to prioritise policy domains: 'the EU27 has real difficulty in agreeing which areas it should prioritise or where it should do less'. To be honest, the only way to do this would be through variable geometries.

However, contrary to the 'variable geometries' scenario, in this scenario the use of variable geometries would not be pervasive. The Union would focus on a few priority areas and these areas would be managed through variable geometries. In the rest of the areas the Union would 'stop acting or do less'. This implies that, at least in the areas in which the Union would do less (but would at least be doing something) there would be a certain instance of very slow and incremental integration.

The final scenario, 'doing much more together', resembles my 'political union' scenario, or at least it would be very close to it. Thus, according to the Commission, under this scenario, 'on the international scene, Europe speaks and acts as one in trade and is represented by one seat in most international fora. The European Parliament has the final say on international trade agreements. Defence and security are prioritised. In full complementarity with NATO, a European Defence Union is created. Cooperation in security matters is routine. The EU27 continues to lead the global fight against climate change and strengthens its role as the world's largest humanitarian and development aid donor'. As in Shakespeare's *Romeo and Juliet*, this sounds very much like a 'rose by any other name': without mentioning it, the Commission is speaking here of something very similar to a political union, since only through a political union would, for instance, the Union 'speak and act as one'.

The only scenario that the Commission does not envisage is my 'termination' scenario, and this for obvious reasons: in a situation in which the EU is beset by many different crises (Menéndez, 2013; 2017) that threaten its very survival, the least important of which is not precisely Brexit, it would probably be most inappropriate to devise a termination scenario. But as a senior Commission official told me not long ago, that scenario actually is the elephant in the room: no-one wants to mention it despite the fact that it is there. Therefore, I also take into account the possibility, remote though it may be at present. The description of such a scenario in my 2008 paper remains valid: termination would be a situation in which the EU 'would cease to exist'.

Was my 2008 paper right or wrong as regards its main prediction on scenarios for 2017? I think it was basically right. As noted, I predicted that in 2017 the EU would be in a situation between the 'status quo' and the 'variable geometries' scenarios. What it did not anticipate was that the EU would be there due to the economic crisis that started in 2008. Thus, I will argue next that the EU is in the former scenario.

First, it can be argued that since my 2008 paper was drafted the EU has virtually frozen any crucial development in most of its policy areas and has focused on managing the crisis. Secondly, it can also be argued that the way in which the EU has managed the

economic crisis has been through an extensive use of the variable geometries instrument. The third point that I want to make is that the most important Member States, the 'driving force' behind integration, have recognised that the only way to go forwards is through a more extensive use of the variable geometries instrument. I shall address each of these arguments in the following sections.

(2.3.1) The EU has virtually frozen any crucial development in most of its policy areas and has focused on managing the crisis

Two points can be made to illustrate this argument. First, since the crisis started in 2008 there has been no major constitutional (Treaty) modification or addition (with the exception that I will indicate later). Secondly, as regards the vertical dimension there has been no major policy improvement with the exception of the developments in the area of economic governance (which shall be reviewed below).

As regards the first point, Treaty reform has been frozen since the adoption of the latest changes in the Lisbon Treaty. The latter was signed in 2007 (before the crisis started) and entered into force in 2009 (once the crisis had started). This means that in 10 years the EUT and the FTEU have remained untouched. There is, of course, one exception: Article 136 FTEU, amended in 2011. In particular, Decision 2011/199/EU6 introduced a third paragraph in Article 136, which reads as follows:

'The Member States whose currency is the euro may establish a stability mechanism to be activated if indispensable to safeguard the stability of the euro area as a whole. The granting of any required financial assistance under the mechanism will be made subject to strict conditionality.'

The amendment entered into force on 1 May 2013 after the EU Council's Secretary-General received notification from the Czech authorities of the completion of the ratification procedure in this Member State. However, the provision this article makes (the establishment of a permanent stability mechanism to bail-out Member States) has not been implanted: the ESM remains outside the Treaties. In fact, it is very doubtful that article 136's provision will be implemented unless the FTEU rules that forbid bailouts are not thoroughly modified. The conclusion is therefore that although article 136 has been amended (which is proof of integration rather than of stagnation) it has not come to effect until today (which proves stagnation). As noted, there have been no other Treaty amendments or additions, which is also telling of a certain freeze at the horizontal level. It is important to recall that since the European Single Act was adopted in 1986, there has been a Treaty reform on average every 3.1 years, not taking into account the ill-fated Constitutional Treaty. However, as noted, in around 10 years the Treaties have not been modified, with the exception cited above.

Analysis of the vertical expansion of EU policies in the past few years also seems to indicate a certain degree of stagnation. It is not only that the Treaties have not been reformed during all these years to add new competences and policy fields to the Union, it is also that a wide degree of 'deepening' of the existing EU competences has not taken place either. Rather, the development of existing EU competences has been very smooth

and incremental. No major shifts can be observed, with the exception of economic governance (see the following point).

To illustrate this I have coded all regulations that the EU legislators (the European Parliament –EP– and the Council) have adopted from 2009 to 2016. A couple of points need to be made to fully understand the exercise. First, I have only taken into account regulations not only to facilitate the analysis but also because they are the most relevant legal instrument established by the Treaties. Secondly, I have only taken into account EP and Council regulations because they produce EU legislation at the highest legislative rank when they act together. Uniting both points what we have is that regulations, when adopted by both the EP and the Council, are the EU's most 'integrationist' legal instrument: not only because they enjoy primacy and direct effect, but also because, contrary to other acts, they can be conceived of as 'EU legislation' without any hint of doubt. A further point is that I have excluded Council and other institutions' regulations, since they can have an executive rather than a legislative character.

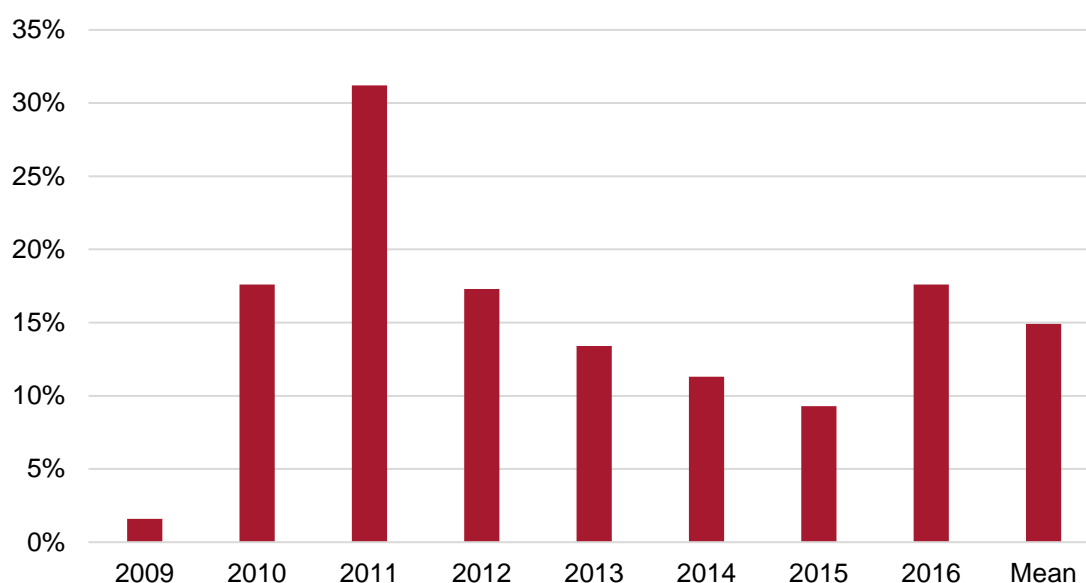
The *Eur-lex* database (<http://eur-lex.europa.eu/homepage.html>) codes all EU acts according to their subject matter. Therefore, I have analysed the subject matters of all regulations that the EP and the Council have adopted from 2009 to 2016 (from the enactment of the Lisbon Treaty until the last available data). In every year I have identified the regulations whose subject matter is closer to what we could consider the 'core' of national sovereignty. Note that according to the Treaty such subject matters can be part of the so-called exclusive EU competences. This is the case, for the Member States that belong to the Eurozone, of monetary integration. However, I have still coded the adoption of these regulations as denoting a significant degree of deepening, precisely because they are close to what could be considered the 'core' of national sovereignty. The core sectors or policy fields are shown in Figure 2.

Figure 2. Sectors sensitive to national sovereignty

- Financial provisions, Economic and Monetary Union
- Common foreign and security policy
- Free movement of persons, area of freedom, security and justice
- Migration and Asylum Policy
- Development cooperation
- Human Rights
- Humanitarian Assistance
- Citizenship of the Union

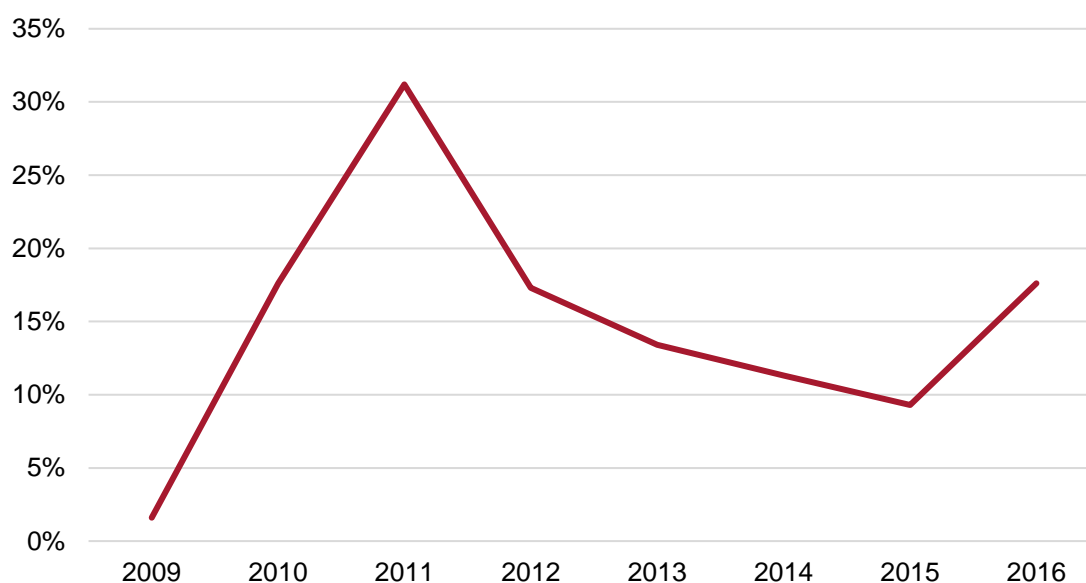
The results are shown in Figures 3 and 4.

Figure 3. Percentage of EP and Council regulations adopted in areas sensitive to national sovereignty (2009-16) in column format



Source: Eur-lex (2009-2016) <http://eur-lex.europa.eu/homepage.html> (last accessed 10 October 2017).

Figure 4. Percentage of EP and Council regulations adopted in areas sensitive to national sovereignty (2009-16), in line format



Source: Eur-lex (2009-2016) <http://eur-lex.europa.eu/homepage.html> (last accessed 10 October 2017).

Figures 3 and 4 reveal that the average of EP and Council regulations adopted in this phase has been of 15%. This is not a very high percentage and denotes very mild EU intervention in areas that are the most sensitive for national sovereignty. The only exception is the year 2011, in which the Union adopted 48 regulations of which a significant number (15) were in sensitive areas (31%). The rest of the years also show low percentages, though it is true that the variance is high (ranging from 1% in 2009 to 17,60% in 2016 and 2010). The analysis also reveals that the crisis years are the worst

in terms of output and that the number of regulations in core sovereignty areas increased as the crisis was overcome. Of course, further research should be carried out to understand the dynamics of vertical EU integration, but these initial results seem to provide a basis to argue that at the vertical level the EU has remained very close to the status quo, as anticipated in my 2008 paper.

(2.3.2) The EU has managed the economic crisis through an extensive use of the variable geometries instrument

The EU has not only focused primarily on the management of the economic crisis over the past 10 years, as noted in the previous section, but it has also done so through a constant recourse to the variable geometries instrument. Primary examples of this trend are the first bailing-out measures that were adopted at the beginning of the crisis, the adoption of the Fiscal compact, the adoption of the ESM and the subsequent bailing-out decisions, and the adoption of the new framework for banking supervision.

The first bailing out measures that the EU adopted were directed at Greece. As explained above, the FTEU expressly prohibited (still does) bail-outs in the EU framework, especially as regards Eurozone Member States. However, in 2010 it was made clear that the application of such rules to Greece would place the entire Eurozone on the brink of collapse. Therefore, as the EU lacked a financial support mechanism for this kind of case, it had to activate it via bilateral (country-to-country) loans to Greece (the Greek Loan Facility) plus some supplementary help from the IMF.⁵ All this was centrally pooled by the EU Commission and converted into a single loan, but the essence of the exercise was not put into question: the rescue package was done outside the EU institutional framework (Tuori & Tuori, 2014, p. 90; Estella, 2018).

The Fiscal Compact⁶ was adopted outside the EU framework by 25 Member States (all of the Union except the UK and the Czech Republic). It was effected outside the EU framework precisely due to the opposition of the UK (followed by the Czech Republic) to signing the Treaty. The Fiscal Compact was a key instrument in the management of the crisis, since it profoundly modified the Stability and Growth Pact through the establishment of the now well-known rule of 0.5% of structural deficit. This was the price to be paid for the adoption of a major bailing out mechanism, the ESM.

⁵ The shares of participating Member States in the total loan were calculated using the adjusted ECB paid capital key. See 'The Economic Adjustment Programme for Greece', Directorate General for Economic and Financial Affairs Occasional Papers 61, May 2010, http://ec.europa.eu/economy_finance/publications/occasional_paper/2010/pdf/ocp61_en.pdf.

⁶ Treaty on Stability, Coordination and Governance in the Economic and Monetary Union between the Kingdom of Belgium, the Republic of Bulgaria, the Kingdom of Denmark, The Federal Republic of Germany, the Republic of Estonia, Ireland, the Hellenic Republic, the Kingdom of Spain, the French Republic, the Italian Republic, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Grand Duchy of Luxembourg, Hungary, Malta, the Kingdom of the Netherlands, the Republic of Austria, the Republic of Poland, the Portuguese Republic, Romania, the Republic of Slovenia, the Slovak Republic, the Republic of Finland and the Kingdom of Sweden of 2 March 2012.

(cont.)

The European Stability Mechanism (ESM)⁷ was another instance of variable geometries. This Treaty was originally adopted outside the EU framework by the 17 members of the Eurozone (it would later be signed by Latvia and Lithuania after they joined the Eurozone). It established a massive bailing-out mechanism of €500 billion (lending capacity) and took the legal form of an Intergovernmental Treaty. Further, the bailing out decisions for different Eurozone Member States that stemmed from the ESM adopted the same legal and institutional framework: they were Financial Assistance Facility Agreements between the Member State in question and the ESM, plus Memorandums of Understanding (normally signed by the European Commission and the bailed-out Member State). Both the Facility Agreements and the MOUs can only be deemed to have been adopted outside the EU framework.

Finally, the new banking regulatory and supervisory framework is a very complex institutional setting, parts of which are applicable to all Member States and parts only to Eurozone Member States. In fact, the two major pillars of this new setting (The Single Supervisory Mechanism⁸ and the Single Resolution Mechanism⁹) are only applicable to Eurozone Member States, yet another instance of variable geometries. The remaining institutions that have been set up (EBA,¹⁰ EIOPA¹¹ and ESMA¹²) have powers to supervise all the Member States. However, as noted, they are of a lesser importance compared to the SSM and the SRM.

The point is therefore crystal clear: the resolution of the financial crisis has been made possible through an intensive recourse to the variable geometries instrument. Not all the Member States have participated in the different mechanisms that have been set up to combat the crisis and, perhaps more importantly, many of the mechanisms have been adopted not only not following the 'community method' but also outside the EU, with the Fiscal Compact and the ESM being prime examples of the trend.

⁷ Treaty Establishing the European Stability Mechanism between the Kingdom of Belgium, the Federal Republic of Germany, the Republic of Estonia, Ireland, the Hellenic Republic, the Kingdom of Spain, the French Republic, the Italian Republic, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Grand Duchy of Luxembourg, Malta, the Kingdom of the Netherlands, the Republic of Austria, the Portuguese Republic, the Republic of Slovenia, the Slovak Republic and the Republic of Finland of 2 February 2012.

⁸ Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions, OJEU L 287/63 of 29.10.2013.

⁹ Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010, OJEU L 225/1 of 30.7.2014.

¹⁰ Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC, OJEU L 331/12 of 15.12.2010.

¹¹ Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC, OJEU L 331/48 of 15.12.2010.

¹² Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC, OJEU L 331/84 of 15.12.2010.

Some authors, such as Dehousse (2016), argue that the EU has experienced a revival of its supranational features in the field of macroeconomic governance as a consequence of the crisis. According to this author:

'While much of the literature on the Euro crisis has highlighted the intergovernmental features of the European Union response, it appears that in strategic areas, such as macroeconomic policy or banking regulation, supranational institutions have seen their discretionary powers significantly enhanced and that they have played an instrumental role in bringing about such a change' (Dehousse, 2016, p. 617).

However, it is interesting to note that the same author can only cite two examples in which this has been the case: the ECB's involvement in the crisis and the improvement of the Commission's powers as regards the Stability and Growth Pact. As for the former, the ECB's powers, it is probably true that the institution has interpreted its own powers in a creative way in order to respond to the crisis. But it is also true that the main mechanism that Dehousse cites to uphold its position, the OMT, has never been applied and never will be. Secondly, as for the Commission's powers under the SGP, it is true that they have been amplified during the crisis but, again, it is also important to note that they are circumscribed to what could be called 'soft-powers': the establishment of scoreboards and the European semester are merely 'signalling' mechanisms. The main discretionary powers that the Commission has under the SGP, which are the powers to sanction Member States that infringe it, have remained basically as they were before the crisis (not to mention that the Commission is now proposing a new flexibility to the SGP). In sum, it is only with a great deal of voluntarism that one can argue that the supranational features of EU macroeconomic governance have been improved during the crisis. I believe that, to the contrary, the reverse is true.

(2.3.3) The driving forces of integration have recognised that the only way of moving forwards is through a more extensive use of the variable geometries instrument

At the Versailles mini-summit of 6 March 2017, which took place after the Commission published its White paper on the future of Europe 2027, the Heads of government of Germany, France, Spain and Italy, that is, the most important countries of both the Eurozone and the EU (excepting the UK), expressed a firm commitment to make headway in the process of European integration through a more extensive use of the variable geometries instrument.¹³ 'Unity is not uniformity' said President Hollande. 'We have to be ready to deepen integration with all those who want to deepen integration', added the former Prime Minister Mariano Rajoy. Areas such as defence, taxation, economic and monetary integration, culture and youth were cited as examples of where the Union could proceed *à la carte*.

The summit was important not only because the Commission, and other supranational institutions, were not invited to attend (revealing in itself of the commitment to variable

¹³ See the Versailles statement at

https://www.bundeskanzlerin.de/Content/EN/Reiseberichte/2017_en/2017-03-03-merkel-versailles_en.html and <https://www.youtube.com/watch?v=gPEhzgCSNRQ>.

geometries) but above all because of the open support received by variable geometries. Gone are the days of the Amsterdam Treaty, which introduced and generalised the so-called ‘flexibility principle’, where the Member States and the EU institutions insisted that this would be an exception, a last-resort mechanism (Shaw, 1998; Tekin & Wessels, 2008): the exception now seems to have become the rule. The point to stress here is that a statement like the Versailles declaration would not have been possible without a context in which since 2008 the EU has been making a not precisely light use of the variable geometries instrument. Even the subsequent Rome Declaration of March 2017,¹⁴ celebrating the 60th anniversary of the Treaty of Rome and which included not only the 27 Member States but also the EU’s supranational institutions, made an explicit reference to variable geometries: ‘We will act together, at different paces and intensity where necessary, while moving in the same direction, as we have done in the past, in line with the Treaties and keeping the door open to those who want to join later’.

The Versailles (and Rome) statements are therefore important not so much as a way to tracing and trying to anticipate where the Union will be in 10 years, but above all to understand where the Union is right now. Where the Union will be in 2027 is something that depends not only on political will but on other variables, as shall be explained in the remainder of this paper. The point is, rather, that when the leaders of the Union’s most important countries are speaking of the future, of where to go and how to go from now on, they are actually speaking of the present. A future commitment to variable geometries, as boldly as it was expressed in Versailles (and Rome), was only possible in the framework of the current European atmosphere, in which *Europe à la carte* has become business as usual for the EU.

In conclusion, the three elements mentioned above seem to show that the Union has moved from 2008 to 2017 into a situation that has stagnated in many areas and is shaped by a new framework in which in the most important policy field managed by the EU, the economic and monetary area, is subject to variable geometries. My prediction was correct in that respect but was wrong as to its causes. This is why in the following sections of this paper I proceed to refine the independent variables.

(3) Refining the 2027 prediction

In this section I move on to a prediction for the EU in 2027. Where will the EU be in 10 years’ time? To answer this question, there are two sub-sections to consider: (1) integration; and (2) independent variables. I leave for section (4) the question of how the variables work. The two sub-sections are refinements and qualifications of my previous 2008 paper. Thus, I provide a more fine-tuned definition of what integration is and I also refine the independent variables that will help me to make a prediction. As hinted in the previous section, in my 2008 paper I gave too much weight to the ‘enlargement’ variable: this needs to be addressed and further developed in this paper in view of the events that have unfolded since 2008. Furthermore, the mechanisms underlying independent variables have to be better specified.

¹⁴ See <http://www.consilium.europa.eu/en/press/press-releases/2017/03/25-rome-declaration/>.

The only points that remain unchanged as regards my 2008 paper are the scenarios: the six that were devised therein (and which have been discussed in a previous section) are still valid and will therefore be used in this analysis.

(3.1) Integration

I will only say a few words about the definition of integration that I use in this paper. The notion of integration that I used in my 2008 paper is still largely valid, understanding by the term,

‘... the situation in which all Member States, with no exception, adopt measures using the Community institutional setting. This definition contains two different aspects. In the first place, there is a merely numerical question. In this sense, only the presence of all Member States would indicate integration. In the second place, there is an institutional aspect. It is not only that all Member States have to be present; it is also that all of them have to have used the ordinary decision-making procedures and institutions established in the Treaties. This is what is usually referred to, in the Community jargon, as the “Community method”. In the absence of any of those elements, Member States would be placing themselves outside the Community method, and therefore there would be a lesser degree of integration.’

There were (and are) two elements in this definition: a quantitative one and an institutional one. There is integration when all Member States adopt a given decision, using the ‘Community method’. This way of depicting the integration process has one major advantage, which is its simplicity. It has, however, one major drawback, which is that it is probably too static. As we have seen in section (2.3.1), we have integration when the Treaties are reformed and also when there is deepening, in the sense that new areas, sensitive to the Member States’ sovereignty core, are developed in the Community context (and this independently of whether the EU has or not a clear competence for that). To be sure, the two new elements that I have added include the two previous ones. However, they have the advantage of putting the integration phenomenon in a more dynamic perspective. For example, adoption of legal acts in the field of the internal market may denote a certain degree of integration, but not one that allows to argue that the EU has made a leap in the direction of integration, since the EU is supposed to act in the ‘internal market’ field. On the contrary, the adoption of legal acts in the field of the Common Foreign and Security Policy, or the Space of Freedom and Liberty, would denote more decisive steps towards integration. Moreover, adoption of legal acts in the field of monetary union would also, even if this area is subject to a reinforced cooperation and is an exclusive EU competence, due to a particular sensitivity to national sovereignty in this area. In sum, the second two elements help to qualify my previous 2008 definition of integration by giving it more dynamic and realistic anchors.

(3.2) Independent variables

As noted before, the 2008 paper put too much weight on the process of enlargement to new Member States as a key to understanding the future dynamics of integration. In part the bias is telling of the *ambiance* of the time: there was optimism and no-one could foresee the coming of the crisis. The EU has dramatically changed over the past 10

years, and many crises affect its future (Menéndez, 2013, p. 2017). This has to have a direct impact upon independent variables in the sense that they have to be better qualified and that new variables need to be taken into account to attempt to explain where the EU will be in 2027.

The variables that I will use are therefore as follows:

- Enlargement
- Economic growth
- Immigration
- Exit(s)

I shall now explain why I have chosen each of these variables, and what they intend to mean.

(3.2.1) Enlargement

The 'enlargement' variable is understood exactly as it was in my 2008 paper. I therefore refer the reader to my previous paper and also to my remarks in section (point 2.1) of this paper. The idea is that enlargement and integration are negatively correlated. The greater the enlargement, the less the integration, since both diversity and heterogeneity of interests increase in the EU as a result of enlargement, therefore making the EU integration process more difficult to manage.

(3.2.2) Economic growth

The 2008 crisis has shown us that economic growth is a key variable to try to ascertain where the EU will be in the future. The hypothesis here is that economic growth will lead to more integration and that less economic growth would lead to less integration. There is therefore a positive relationship between economic growth and integration.

Why is this the case, what are the mechanisms underlying the link? This is an interesting question, since economic growth does not by itself have to lead to more integration. The answer has to do, in my opinion, with optimism. Economic growth generates optimism about the future and therefore in an optimistic and trusting context, steps that lead to more integration are easier to be taken than in a pessimistic context. Economic growth opens a window of opportunity in favour of integration, due to optimism.

(3.2.3) Immigration

The Brexit debate has shown how important immigration is as a driver for integration. Taking into account the current state of world affairs it is possible to think that immigration to Europe will increase in the coming years. Immigration will be a hot spot on the next EU agenda, as indicated, for instance, by the International Organisation for Migration (2010).

My hypothesis is that immigration is negatively correlated to integration. Therefore, the greater the immigration, the less the integration. Here the main mechanism underlying

the relationship is diversity. A more diverse Union is more complex to manage and therefore heterogeneity of interests will hinder the process towards integration.

(3.2.4) Exit(s)

With Brexit around the corner it is important to add into our new equation the possibility that not only the UK but also other Member States might exit the Union. The idea is that exit(s) play against integration: the larger the number of exits, the less the integration.

This would be so since, by definition, if the EU is shrinking, then the integration process, as defined, would be stifled. One could be tempted to argue that as more members of the Union abandon it, then the remaining Member States would be 'truer' Europeanists and therefore that the core countries could make greater progress towards political Union. The argument is, however, not very convincing since the very essence of the European integration process is 'an ever closer union' between the peoples of Europe. This denotes a process of increasing, and not reducing, the number of members. Furthermore, one of the main arguments of those who want to leave is that the Union does too much: this was clearly an argument in the Brexit referendum. Therefore, if more members want to leave, the Union would probably react by doing less and focusing on the most important Treaty priorities. The Commission's fourth scenario, 'Doing less more efficiently', can precisely be understood from this (subsidiarity) perspective.

There is a second perspective that must be included in the exit(s) variable, which is what I will refer to as 'regional' exits. With this I mean secessions from the Member States: the examples of Catalonia and Scotland are only the most recent cases in point.

The idea is that secession plays against integration for two reasons. First, because an indefinite number of secessions would render the Union an unmanageable entity, where the new States become members of the Union. And secondly, because secessions would make current Member States of the Union less powerful. This second point needs, however, to be further qualified. Thus, if the Member State that is affected by secession has traditionally maintained a pro-integrationist agenda, then the integration process would be affected to the worse. But, conversely, if the Member State affected by secession has traditionally maintained an anti-integrationist agenda, then this would reinforce integration. The question is to know 'who is who': which are the States that are subject to secession processes, what were their previous European agendas and what would the European agenda of the seceded Member State be. The British and Spanish cases are, once again, good examples. Spain has traditionally maintained a pro-integrationist agenda. If Catalonia were to secede, then Spain would lose weight in European integration, which, in turn, would further stifle the process. As regards Catalonia, it is difficult to say at present what its agenda regarding Europe would be; however, even if it were to be a pro-integrationist agenda, the weight of the new Member State (of around 7,5 million people) would not serve to compensate the loss of the (new) Spain's weight. As regards the British example, the UK has traditionally maintained a not-so-pro-integrationist agenda over the years. Assuming, for the sake of the argument, that the UK does not exit the Union, if Scotland were to secede, this would decrease the weight of the (new) UK in the European institutions, which in turn could serve to foster integration. As regards the European agenda of the new Member State, Scotland, one

can only guess, but I think it would not be mistaken to say it would be pro-integrationist. The weight of the new Member State would not be highly significant (with a population of around 5 million) but it would add to the integrationist camp.

The picture that emerges is therefore a very complex one, in which it is important to determine: (1) what secessionist movements there are today in the EU; (2) what is their likelihood of being successful; and (3) how can this affect the course of the integration process. All this, within a context in which an EU populated by new micro-Member States after a significant secession movement would probably be more difficult to manage than a Union of 28.

(4) Independent variables at work

(4.1) Enlargement

Enlargement has already been analysed in section (2.1) of this paper; therefore, not much more will be added to what has been said before. It is obvious that the EU's enlargement process is currently frozen. Although some steps have been taken in the direction of enlargement over the past 10 years, these have been rather timid. It is interesting to note that the European Commission does not cite enlargement on even a single occasion in its White Paper on the EU-2025.

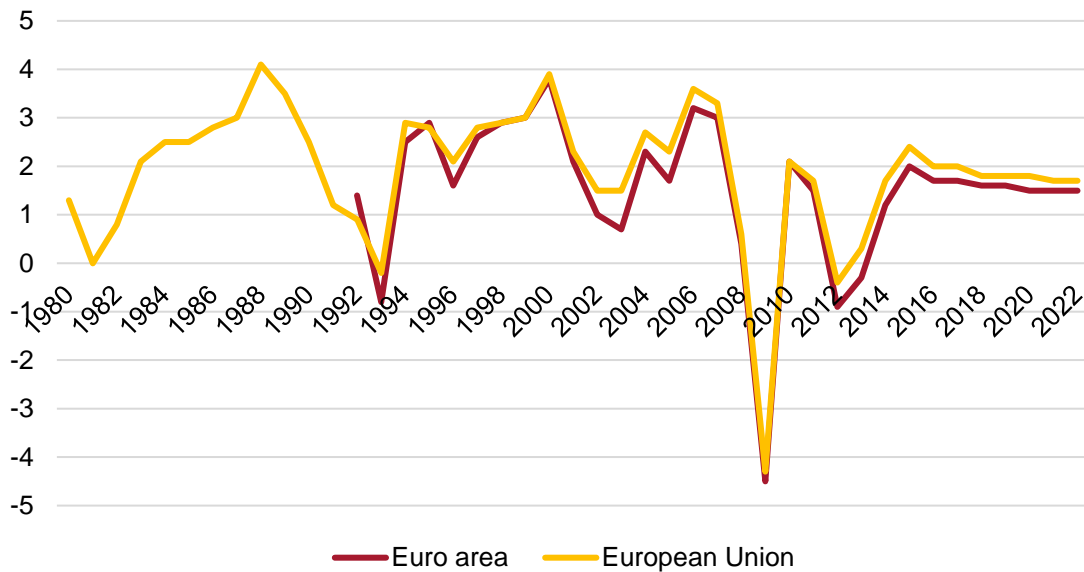
Therefore, the variable will probably have a low-profile over the next 10 years. My forecast is that the Union will not be significantly enlarged in the period and that therefore this will be an asset for integration, since enlargement and integration are negatively correlated.

(4.2) Economic growth

Will the Union grow over the next 10 years? If so, at what pace? This is probably the one-billion-euro question, above all after the 2008 crisis. As we know, in such a volatile economic context such as Europe is living today, it is very difficult to make such a long-term forecast. What I will do is review and analyse the main data on EU growth and then extract some conclusions.

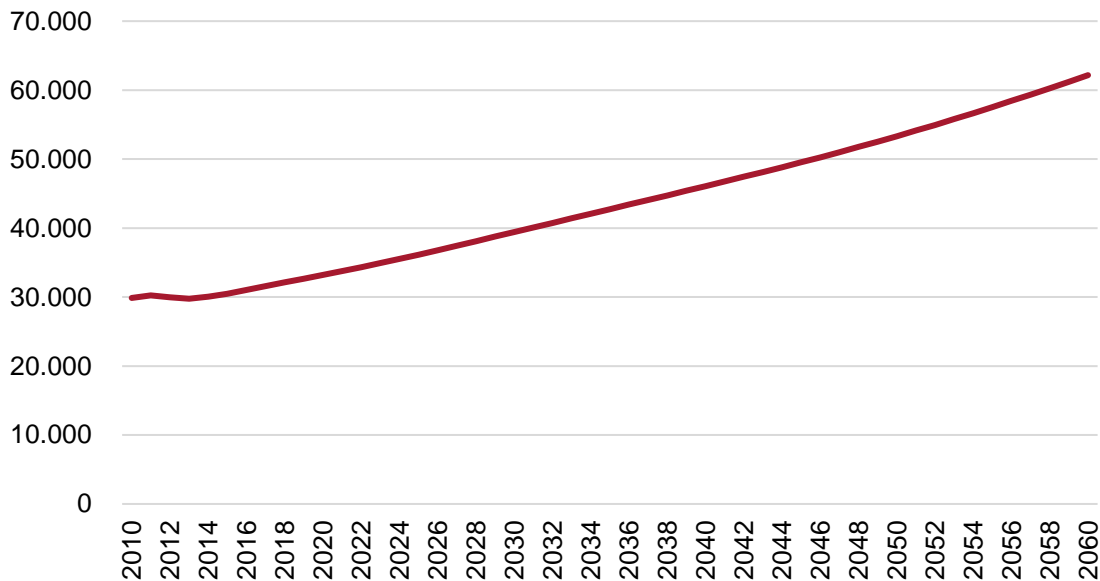
Data on long-term economic growth are provided by different international institutions. For instance, the IMF predicts an average growth for the Eurozone of 1.5% and for the EU of 1.8% from 2017 to 2022 (see Figure 5). The data basically coincide with the projections made by the OECD. The OECD forecast is interesting since it is projected for the very long term. Until 2060 the Eurozone will double its size in terms of growth if 2010 is taken as a reference. This implies an average growth of around 2% in 50 years (see Figure 6). However, the estimate until 2022 roughly coincides with the IMF data of 1.4% average growth.

Figure 5. IMF forecast real GDP growth (annual percentage change) for the EU and Eurozone until 2022



Source: http://www.imf.org/external/datamapper/NGDP_RPCH@WEO/EURO/EU/EURO/EU?year=2017.

Figure 6. OECD long-term baseline projections for the Eurozone until 2060 (GDP per capita in US 2005 PPPs)



Source: https://stats.oecd.org/Index.aspx?DataSetCode=EO95_LTB.

The question is now how to interpret the data on growth. The first point that has to be made is that projections are highly determined by the models that economists (and international institutions) use to that end. However, I will leave aside what is clearly a very technical discussion (for a very good summary see the IMF Report ‘Europe: Navigating Stormy Waters’, October 2011, p. 53-54). In any case, I think it is not an oversimplification to say that the point of division between economists regards the impact

that technological innovation will have upon growth: for some, this will impact positively and create more and faster growth; for others, the variable will be of less importance and therefore its impact on boosting growth will be less significant.

A second point is whether the predictions that have been given by both the IMF and the OECD (and other institutions) denote a robust growth or not. If they happen to be confirmed by reality, they do not. Therefore, there is much talk within economic circles of what is referred to as 'secular stagnation'. Growth in Europe and in the Eurozone (note that growth in the Eurozone is always predicted to be inferior to growth in the EU as a whole, which is rather paradoxical) is deemed to be feeble. For example, the European Commission speaks of secular stagnation as the new growth paradigm for Europe in a number of papers it has published (see, eg, Pichelmann, 2015), as does the European Parliament (Gimdal & Karakas, 2016), while the ECB has also taken part in the debate (Praet, 2017).

The aim of this paper is clearly not to take sides. What is, however, evident is that no one seems to dispute that growth in the EU and in the Eurozone will be slow in the years to come. This seems to indicate that it would be wise to place the variable 'economic growth' in a low position. If, all other things being equal, growth in the EU will be feeble, then the consequence will be less opportunities for integration. In other words, the years in which the EU integration process could be boosted and legitimised for economic reasons are long gone. In the future 'it's the economy, stupid' will not be the EU's major motto.

(4.3) Immigration

According to OECD data (International Migration Outlook, 2017), the EU received 2,336,700 new immigrants in 2015. To be sure, the number is unevenly distributed across the EU Member States, with Germany receiving the greatest number (686,000 according to the same source). It is also true that since 2014 the number is unprecedentedly high due to the Syrian refugee crisis. However, according to different estimates, the trend towards rising immigration will not recede in the EU. In fact, Hanson & Macintosh (2016, p. 75) predict for 2050 a decline in immigration flows to the US but a rise in the EU. The main reason is the population growth that many of the EU's neighbouring states (especially in the Mediterranean basin) will experience in the coming decades.

In particular, the Vienna Institute for Demography (2016) predicts that between 2015 and 2050 there will be a relative population change in the EU due to an immigration rate of 12.1%.¹⁵ This figure acquires relevance if compared to the percentage of population increase that, according to the same Institute, the EU would experience in the same period *without immigration*: -5.4%. It seems, therefore, that immigration flows to the EU are here to stay (and increase).

¹⁵ See 'European Demographic Data Sheet 2016-Migration makes the difference!', <https://www.oeaw.ac.at/en/vid/about/news/details/article/european-demographic-data-sheet-2016/>.

How will this new trend affect the EU integration process? I have said before that the relationship between immigration and integration is negative: the more immigration, the less integration. The reasons for this are varied. First of all, as immigration increases, Member-State societies become more heterogeneous, socially, culturally and economically and, therefore, the divergence of interests becomes more difficult to accommodate in the EU context. Of course, it all depends on how immigration is integrated in the receiving Member States. If integration is high, heterogeneity will be lower and therefore integration higher. But there are not many reasons to be optimistic in this regard. First of all, because the EU lacks a common immigration policy and, particularly, a common integration model of immigrants. Many different perspectives cohabit on this issue in the EU's Member States. Secondly, even if there were a single integration model that worked, the immigration shock is expected to be so great that heterogeneity will rise. This, in turn, will affect integration negatively.

A second point that can be made in this regard has to do with politics. If immigration increases, a negative reaction from the population can be expected. This is what probably explains the outcome of the Brexit referendum and the rise of the proto-fascist Alternative for Germany (AfD) political party in Germany (among other reasons). As Werner-Muller (2016) has shown, there is a link between anti-immigration politics and anti-Europe politics. Therefore, it can be said that political parties that are against immigration in Europe make the Union responsible for such a development and therefore oppose integration. If immigration increases it is to be expected that the weight of these political parties will also increase across Europe (especially in the most important countries of the EU). Therefore, they will expand their anti-integrationist agendas. In turn, it can also be expected that the traditional political parties will try to accommodate the rise of these anti-integrationist political parties by partially assuming their agendas on Europe. This means that if these developments occur, even the traditional political parties, which once held very pro-European platforms, will adopt a more critical stance regarding the process of European integration.

There is, however, a positive perspective as regards immigration and integration, which has to do with economic growth. Economic growth depends on some structural factors, of which one of the most important is the population growth of an economic unit. Europe, the EU, has a severe problem of ageing population that can only be counterbalanced through immigration. If the EU's population grows, as expected, thanks to immigration, then this would positively affect economic growth, which in turn would positively affect our dependent variable, integration. However, it is difficult to say whether this positive trend will be sufficient to offset the negative impact that immigration would have by itself on the integration process.

In sum, although there are many uncertainties as regards the future trend of immigration in the EU, because this is a relatively new and poorly understood phenomenon, the wisest course of action may be to place the variable at a high point and assume that immigration will negatively affect the integration process.

(4.4) Exit(s)

(4.4.1) *Brexit*

Let us start with Brexit. As we know, in a referendum held on 23 June 2016, 52% of the British people decided that their country should leave the EU. This was a tidal wave in European politics: no one had anticipated it would be the outcome. Since then, a process of negotiation has been opened between the UK and the EU under article 50 of the EU Treaty. It is difficult to know at present what the outcome of the negotiations will be. Furthermore, there are still voices that argue that the outcome will be so hard for the UK that there will ultimately no Brexit. In my opinion, however, this is wishful thinking and all seems to indicate that the UK will leave the Union in the next two years (by March 2019).

The question is how well the UK will manage after Brexit takes place. There are two positions: one that argues that the UK will experience a negative impact while the other, although it assumes some negative consequences, argues that the impact will be less significant. I shall succinctly review both positions (for a review on the recent literature on Brexit, see Sampson, 2017).

In essence, the position that the UK will suffer economically after Brexit is maintained by the UK Treasury (2016) –see also IMF (2016) and OECD (2016)–. In a number of papers, the British Treasury has calculated that the loss to the UK would be of around 7% of GDP in 2030. The Treasury also calculates the loss for British citizens: from £1,000 to £2,700/year over the next 15 years depending on the scenario envisaged.

This is not negligible: it would be a significant shock to the British economy. However, other British economists have questioned the foundations of the Treasury's estimates (see Gudgin *et al.*, 2016, and Gudgin *et al.*, 2017). In a number of papers, these and other economists have indicated that the problem with the Treasury's calculations is that they take the average commercial exchanges between the 28 Member States as a reference and not the commercial exchanges between the UK and the EU. According to Gudgin, this might bias the results in favour of a more negative economic impact for the UK after Brexit.

Gudgin provides other more optimistic data: the loss for the UK would be of 2% in the baseline scenario and 4% in the worst-case scenario. Even in the worst-case scenario this economist argues that the loss of 4% could be offset with an intelligent commercial policy of openness with the rest of the world, which would almost eliminate Brexit's negative impact on the UK's growth prospects.

This is probably not the place to take sides. Suffice it to say here that Gudgin's criticism of the Treasury's calculations seems accurate: commercial exchanges between the UK and the EU should be taken as a reference, not the average of 28 commercial exchanges. In any case, the important point here is to delve into the impact that both possibilities could have for the process of European integration.

Clearly, if the impact of Brexit is as negative as the Treasury argues, the integration cause would be fostered. It would be easy to argue that it is better to be inside the Union than outside: here the counterfactual would be exemplified by the British example. A

negative impact of Brexit would not only minimise the temptations of other countries, or other platforms, to follow Britain but could even legitimise further integration.

Unfortunately for integration process purposes, the contrary reflection is also true. If the UK does not do so badly or even does well following Brexit, this could reinforce the temptations of other countries, or platforms, to leave the Union. By the same token that a negative impact of Brexit would be good news for the Union, a neutral (or positive) impact of Brexit would be a blow in the face to the integration process. What would be the benefit of being in the Union if outside the Union a country's economic performance could be at least as good?

In my opinion, of the four independent variables, the one that will determine the fate of the Union will be precisely Brexit. This is the key question that is currently right in the middle of the European gameboard. If the UK performs well after Brexit, the EU project will be wounded to death, so the central question is what the likelihood is that the UK performs well after Brexit. At this point, in which article 50 EU Treaty negotiations are taking place, it is very difficult to know the outcome, partly because the UK's performance after Brexit will depend on the deal to be struck between with the EU. At the time of writing the news is alarming especially for the UK: the risk that there will be a poor agreement for the UK is serious and rising as time goes by (see the excellent analysis of Donnelly, 2017, and, more generally, Fabbrini *et al.*, 2017). Therefore, if a poor deal is struck then the UK will suffer more than if there is a decent one. This would be good news for the EU project. As a matter of course, this is the determining factor of the entire negotiation: the EU knows that if a good deal is struck, the UK could be better off after Brexit than if a bad deal were to be struck and that this will determine the fate of the Union. In other words, there are no incentives for the EU to strike a good deal with the UK since a poor deal would be bad for the UK's future performance but good for the future prospects of European integration (Fabbrini, 2017).

However, even assuming that no deal is struck, it is possible that the blow for the UK will not be that significant. This is, after all, the worst-case scenario devised by Gudgin. A loss of 4% of GDP during the next decade for the UK is significant but could be offset with a clever, smart and agile global commercial policy. Thus, the question is: will the British political class be up to the challenge?

To answer the question we must delve into the literature on the educational background of the European (and world) political elites. Cotta & Best (2007) have explored the issue from a comparative perspective (see also the ongoing research project of the European Science Foundation Network "EURELITE: 'European political elites in comparison: the long road to convergence)".¹⁶ According to Cotta & Best, the British political elite is among the best educated in Europe. For instance, many of their MPs and members of the cabinet have degrees from Oxford and Cambridge, two of the most noted universities

¹⁶ See <http://archives.esf.org/hosting-experts/scientific-review-groups/social-sciences-soc/activities/completed-networks/european-political-elites-in-comparison-the-long-road-to-convergence-eurelite.html>.

(cont.)

not only in Europe but also worldwide. Further, in a recent report published by the Sutton Trust it was found that:¹⁷

‘Almost nine out of 10 (89%) of MPs are graduates. 23% hold an Oxbridge degree, down from 26% in 2015 while a further 29% went to another Russell Group university. Oxford has continued its tradition of producing politicians; there are almost double (98) the number of Oxford alumni in the new house than graduates of Cambridge (52).’

In fact, this gave rise to some doubts about the representative character of Westminster. According to the same report:

‘The landscape of British politics changed considerably this morning.¹⁸ This is reflected in the educational profile of the House of Commons where there has been an increase in the numbers of state-educated MPs. However, MPs are still four times as likely to have been to a fee-paying school than a state school. If parliament is to truly represent the nation as a whole, able people from all backgrounds should have the opportunity to become MPs.’

Therefore, leaving aside the question of whether the British parliament mirrors the educational background of the society that it is deemed to represent, what is obvious is that the British political elite is very well educated. This makes me think that it is possible to assume that the British political class will manage the post-Brexit era in a sound, clever and pragmatic way. If this is the case, then it is also possible to think that the post-Brexit era will not be a joy-ride but also that in general terms the UK will perform well after Brexit. Only time will tell. The important thing at this point is to underline that the ‘British political class’ variable is what will make the difference after Brexit.

If, then, the British political class, as I presume, the post-Brexit era satisfactorily, and the UK does not do so badly after Brexit, then the consequences for the EU project would be negative. In my opinion, a good British performance after Brexit would be a time-bomb at the very core of the integration process. This report warns about such a development and has no other choice but to indicate that if events unfold as predicted the likelihood of a termination scenario would increase accordingly.

I will end this part on Brexit by making reference to the Member States in which similar exit agendas exist. This aspect refers to two different, but inter-related, points: first, public opinion in Member States as regards exit; and secondly, Member-State political parties’ platforms on exit.

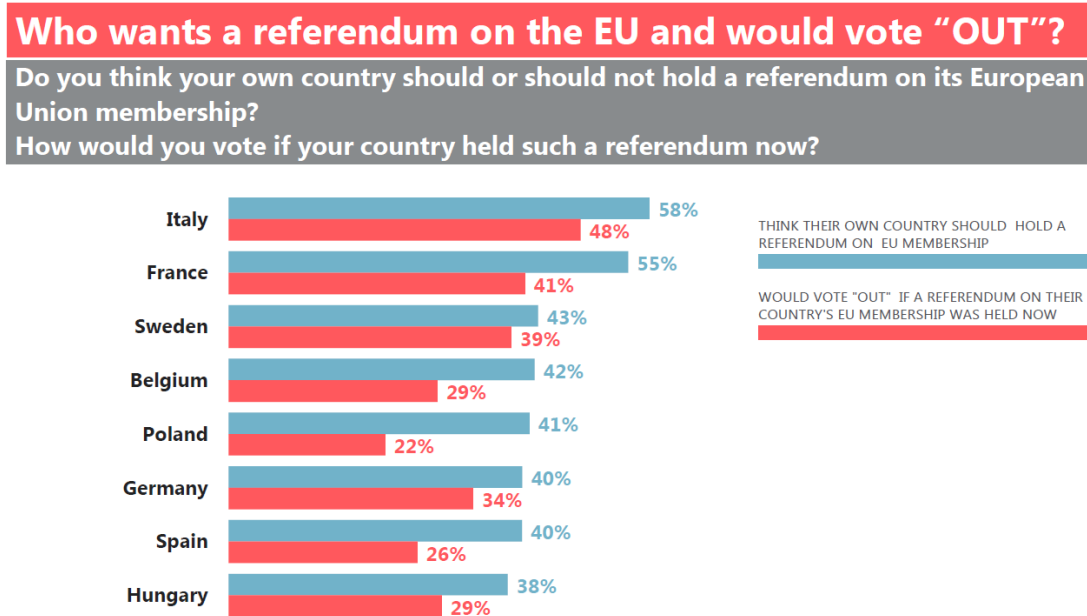
As regards the first, it is important to note there is not, to the best of my knowledge, any opinion poll covering all the Union’s Member States regarding public opinion on exit. This means that more research and analysis is required on this crucial issue. Be as it may, the two most recent and reliable sources in this regard are an IPSOS opinion poll of March-April 2016 and a Pew Research Center opinion poll of June 2017. Both surveys yield similar results: the bottom line is that a majority of the population would like to be

¹⁷ See <https://www.suttontrust.com/research-paper/parliamentary-privilege-the-mps-2017/>.

¹⁸ The report refers to the 8 June 2017 parliamentary election in the UK.

asked in a referendum about membership of the Union but only a minority would opt for exit. I underline once again that not all Member States are surveyed: for instance, notably absent in both polls is Denmark, a country that enjoys similar opt-outs to the UK's and which has traditionally maintained a very sceptical view on Europe, just like the UK.

Figure 7. Ipsos Poll, March-April 2016

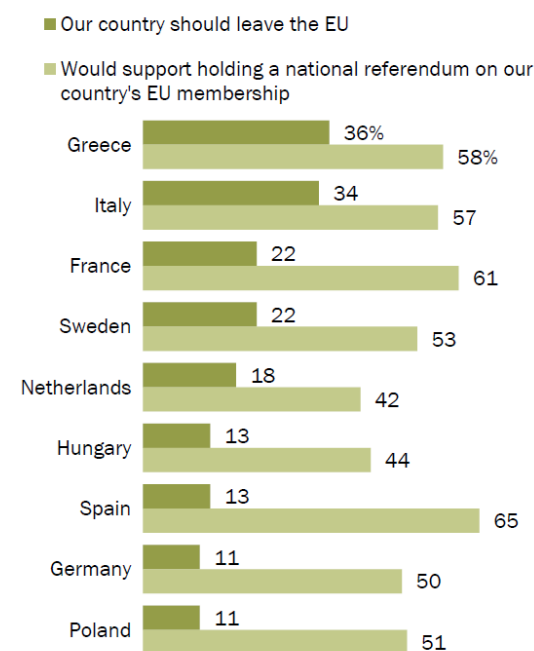


Base: 6017 adults aged 16-64 across Belgium, France, Germany, Hungary, Italy, Poland, Spain, Sweden, March-April 2016

Source: <https://www.ipsos.com/sites/default/files/migrations/en-uk/files/Assets/Docs/Polls/ipsos-brexit-poll-2016-charts.pdf> (last accessed 23/X/2017).

Figure 8. Pew Center Poll, June 2017

Little support for leaving EU, but many want a referendum on membership



Source: Spring 2017 Global Attitudes Survey. Q44 & Q45.

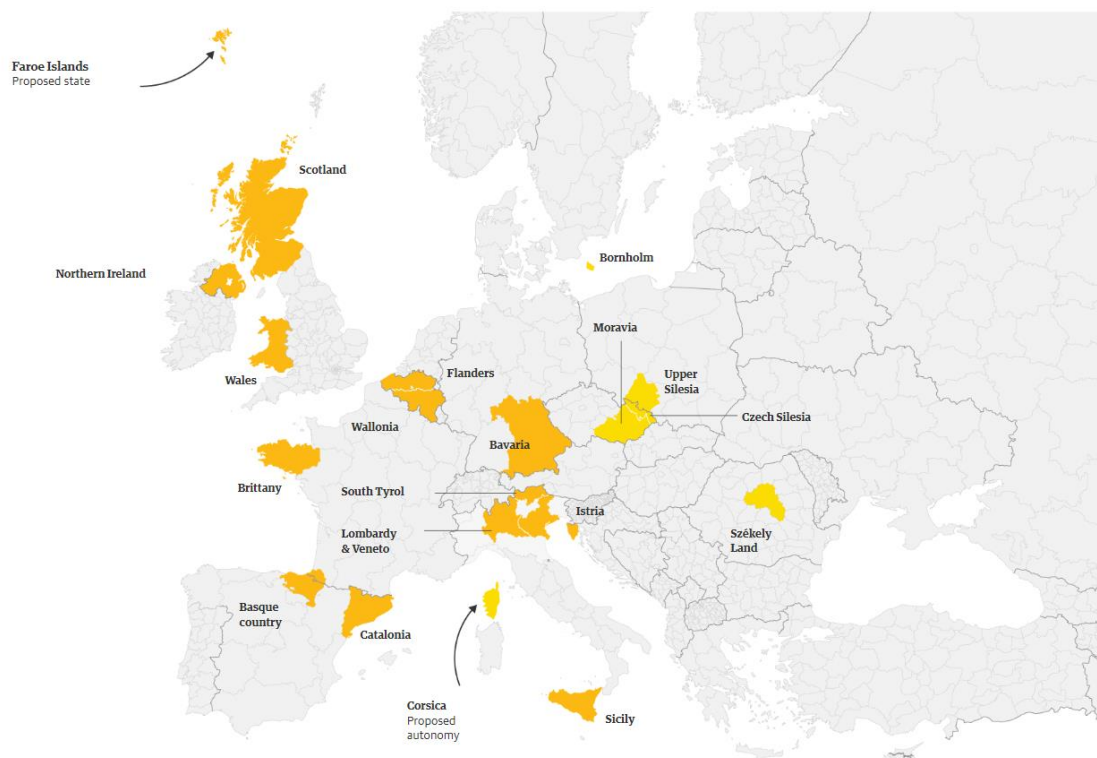
Source: <http://www.pewglobal.org/2017/06/15/post-brexit-europeans-more-favorable-toward-eu/> (last accessed 23/X/2017).

However, not even Denmark seems to be questioning its membership in the Union. For example, the most recent Standard Eurobarometer¹⁹ shows that although 62% of Danes do not want to move ahead in the process of European integration, a remarkable 73% disagree with the idea that Denmark would be better off facing the future outside the EU. In conclusion, in terms of leaving, there does not seem to be on the horizon a case similar to Britain's. From this perspective, it would be sensible to place this variable at a low level: exit seems to be confined, for the time being, to the UK. However, it should be stressed that things could change if the UK performs well after Brexit and this could take the variable to a higher level, which could trigger a negative effect in the process of integration.

(4.4.2) Regional exits

As noted above, 'regional exit' refers to the process through which parts of the current Member States of the Union secede from them. The idea is that regional exits have a negative impact on the process of European integration, much as enlargement has: an EU populated by a high number of small states would probably be more difficult to manage. As a picture is worth more than a thousand words, Figure 9 graphically shows the main cases of potential secession in the EU.

¹⁹ Standard Eurobarometer 86, Autumn 2016.

Figure 9. Potential secessions in the EU

Source: *The Guardian* (<https://www.theguardian.com/world/ng-interactive/2017/oct/27/beyond-catalonia-pro-independence-movements-in-europe-map>) (last accessed 27/X/2017).

In October 2017 *The Guardian*²⁰ published a very good up-to-date summary of the situation as regards separatist movements in the EU. For reasons of space, I refer the reader to this excellent description. As *The Guardian* article and the map above show, of all these cases the most challenging are those of Scotland, Flanders and Catalonia (see also Connolly, 2013). The remaining cases are important but less so than the other three. I shall now briefly comment on the prospects of secession and the impact on integration of all three cases.

(4.4.3) Scotland

Scotland could become a case of ‘reverse’ secession. After the referendum that took place in 2014, in which a majority of Scots (55.3%) voted against independence, the only question that remains to be seen is what the nation will do once Brexit takes place. Therefore, as regards this analysis, which looks at secession and its impact on integration, Scotland would have to be discounted due to Brexit. If (and this is an important if, since I believe Brexit will take place in any case) Brexit does not occur, then the case for independence in Scotland will probably be revitalised. However, as things are at present, what can be said is that the Scottish issue is superseded by Brexit.

²⁰ *The Guardian* (2017), ‘Beyond Catalonia: pro-independence movements in Europe’, 27/X/2017, <https://www.theguardian.com/world/ng-interactive/2017/oct/27/beyond-catalonia-pro-independence-movements-in-europe-map>.

(4.4.4) Flanders

In Belgium, the New Flemish Alliance is the majority party in this region and also the largest party in the Federal government. In principle, it has promised to strive for separation after the 2019 national elections. However, it also seems that the fact that it currently belongs to the coalition government has somewhat attenuated its demands for independence. Opinion polls show that despite its strength in Flanders, only about a third of Flemings would support independence if a vote were to be called (Lefevre, 2014).²¹ In general terms the independence movement seems to be less articulated in Flanders than in Scotland or Catalonia (Liñera & Cetrá, 2015; Connolly, 2013).

(4.4.5) Catalonia

Catalonia is probably the most serious secessionist challenge in Europe today. The central government implemented article 155 of the Spanish Constitution and suspended the region's autonomy. It is difficult to see what the political solution will be, but one thing remains clear: as opinion polls constantly show, Catalans are split as regards the prospects of independence from Spain (CEO, 2018).²² Under these circumstances, and unless public opinion dramatically changes in favour of secession in coming years, it is probably wise to say that Catalonia will remain within the Spanish state in the years to come.

To sum up, it can be said that the variable 'Exit(s)' would have the following results. First, as regards Brexit, it all depends on how the UK perform after it takes place. If it does poorly, this will reinforce the integration process. If, on the contrary, the UK does well after Brexit, this will slow down the integration process, to say the least. I have argued that it is not impossible to think that the UK will do well after Brexit. This would be a blow for the future prospects of European integration. Secondly, as regards what I have referred to as 'regional exits', despite the high number of potential secession cases there currently are in the EU, it seems possible that in the next few years there will not be a wave of separations. However, Catalonia could be an exception to this general rule. All in all, the variable 'exit(s)' should be placed at a low level from a quantitative perspective: except for the UK and Catalonia, there are no other foreseeable exit cases (either national or regional) in the near future. However, from a qualitative perspective, the Brexit case is so determinant for the future of the EU that I must place the variable at a medium to high level. Of all the variables that have been integrated in this paper's model, this will be, in my opinion, the major driving force for the future of the EU.

²¹ See <https://globalpublicpolicywatch.org/2014/02/09/understanding-belgian-politics-and-its-growing-separatist-movement/>.

²² According to the latest Centre d'Estudis d'Opinio's 'Barómetro de Opinión Política' (first wave, 2018, in particular Question 31), 48% would like Catalonia to become an independent State while 43.7% would not.

(5) Conclusions

This paper has argued that the future of the EU will be determined by four major variables: (1) enlargement; (2) economic growth; (3) immigration; and (4) exit(s). The interplay of these variables yields the following general conclusions. The first variable, enlargement, has been placed at a low level: with the process of European enlargement virtually frozen, the next 10 years should not witness a major upheaval in this area. This will play in favour of the process of European integration. Less enlargement means that diversity and heterogeneity of interests will not increase in the Union, which, at least, will not put a further brake on European integration. Secondly, the economic growth variable is placed in this paper at a low level. Europe will grow but will not do so robustly in the years to come. This will play against the process of integration, since less growth or stagnation creates less opportunities for the process of European integration. Thirdly, the immigration variable is placed at a high level. Europe will probably see a major population shift in the coming years. On the one hand, this will be good in terms of economic growth, since Europe needs population growth to foster economic growth. However, on the other hand, the challenges posed by immigration are so important for the Union that they will offset its economic benefits. This will go against the process of integration, since heterogeneity of interests will rise as Europe becomes more diverse. Finally, the last variable, exit(s), is placed in this paper at a low level in quantitative terms but at a medium to high level in qualitative ones. Brexit, or rather, the UK's performance after Brexit, will have the key that will open, or start closing, the EU's future.

Of the four variables, three play against integration and one is neutral (or plays in favour, if one is optimistic) as regards integration. Therefore, it is possible to say that within 10 years the EU will be placed in a scenario that will more definitely move towards less integration and where variable geometries will have a pervasive presence in the European landscape. This report sadly alerts to the fact that depending on how the UK performs after Brexit, the termination scenario could be closer than ever before in the history of European integration. Brexit will to a large extent determine its future.

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