The Future of the European Union – United States of Europe or back to only Economic Cooperation?

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I. Introduction

1.) Subject and aim of thesis

(...) many Europeans consider the Union as either too distant or too interfering in their day-to-day lives. Others question its added-value and ask how Europe improves their standard of living. And for too many, the EU fell short of their expectations as it struggled with its worst financial, economic and social crisis in post-war history. ¹

With these words the European Commission, opened up the White Paper on possible future scenarios in terms of the development and integration process of the EU. The quote puts the essence of the current problems and critiques arising in the European Union in a few sentences. The citizens feel distant from the EU and have lost their trust, but not only that. With the crises it had to face in the past, the integration process and the member states willingness and undevoted passion towards the EU was not only slowed down but changed drastically if we look at the case of the UK. Nevertheless, one might ask the question, is the development of Euroscepticism and the distrust as well as the strong intergovernmental stances in many member states a recent development? The clear answer to that is no. If we look at the past and the historic development of the EU, we can see that although it is perceived overall as extraordinary success story, there have been problems and obstacles as well as various crises along the way. The analysis of these problems will help understand recent developments as well and is necessary in order to make predictions for the future.

More than ever before, we feel like the EU faces an existential crisis and has to redefine core elements in order to persevere? But why is that? What possibilities does the EU have for the future? How will the integration be shaped?

In order to answer this question, we first have to take a look back and realize that the EU faced various crises in its history which needed to be overcome in order to pursue more integration, at the same time ensuring that every member state was satisfied. Placing the past and future of the EU in a historical context, the main aim of my thesis is to analyze and evaluate the possible futures of the European Union with the help of applying the foresight approaches and methods, as well as making a case study interviewing EU experts of future-oriented thinking. For this purpose, I want to study different aspects of foresight and future studies literature to construct my

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methodological base, to analyze the White Paper as a basic literature which was made and published by the European Commission in March 2017 on the possible futures of the EU.2 This primary source should provide the basis for the following argumentation on the hypothesis and help in carrying out my case study.

The subject of my research will be the historical context spanning from the past towards the future of the European Integration process, the analysis of the 5 scenarios proposed by the European Commission in the White Paper, and the struggle of the relationship between the different levels of affair, namely of regional or national level and supranational level. Here in detail the willingness to give up sovereignty from these various levels and the different theorems of neo-functionalism and intergovernmentalism, as a foundation for the opposing claims. Because they are linked to the question of giving up sovereignty and who has the power or can make decisions, from this a conclusion will follow of which one is more likely. To round off this chapter the motives and needs for integration as well as the obstacle or contending sides to the integration process will be highlighted, namely Globalization and Euroscepticism. To give a perspective on the subject a case study will be included, where two experts on the European Union give their opinion with regards to the research question. On the one hand from the perspective of Germany towards the EU, as Germany is one of the driving forces and a very important member versus on the other hand from a Hungarian point of view towards the EU, as Hungary is a smaller and less influential member and on the more sceptic side concerning European matters.

2.) Methodological considerations

The approach to the subject will be the following. In order to gather different arguments, the first part of my thesis will be composed of a thorough literature review, not only to gain historical, theoretical and institutional insight on the topic of the EU, but to establish a ground in order to answer the research question. Here a short analysis of the European Union as such will be conducted, as well as success and failures of integration in the past will be included. To that the analysis of the White Paper by the EU Commission and the given five scenarios for the future integration process of the

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EU and their possible outcomes will be added. The focus of this are the three aspects: Economic, Political and Societal outcomes.

The following chapter will then deal with the theoretical framework surrounding this issue, with the question of giving up sovereignty from the national and supranational level, applying the theory of neo-functionalism and intergovernmentalism to analyze the possible outcomes, but also research the issues behind this very important question. What are the driving forces for this process at different levels as macro, meso and micro, namely Globalization and the need for Europe to constantly evolve into an even better version of itself than before in order to keep up with the global competition, pressure and interdependence. With this also the opposing side of slowing down the integration process needs to be highlighted, Euroscepticism as major obstacle, dealing with Brexit, the Financial Crisis, the Migration Crisis, which put the EU in a problematic situation concerning the role and interplay between the nation states or member states and the EU institutions. The need to redefine itself got very clear. The final part of my thesis will include a case study of two countries. Germany and Hungary as very different member states with very different roles within the EU framework. This will then be finished up with the conclusion, where my findings and results will be examined and foresights as well as proposals for future tasks will be given in order to answer the research question.

Beside the literature review the research methodology would consist of a flow of mixed methods from Modelling reality through Modelling would-be (Futures) realities and gathering contribution to theoretic Modelling of the European integration and making interconnections among them. It means to create a model based on reality, reality would be the current situation of the European Union and the model would be the future of it, rather supranational like a United States of Europe or intergovernmental like the Economic Cooperation only. Here the aim is to create evaluated alternative options for the future development based on experiences from the past, analysis of the possible future steps and the theoretical context of the integration process. The EU will be put in this model in order to test its role and its function in the future. This process will also be influenced by the case study Method as a feedback of information coming from the micro and local level. Since the plan is to apply and investigate this model of

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4 E. Hideg, Paradigms in Futures Field, Budapest, Economic Geography and Futures Studies Department, 2015, pp. 82- 97 and 132- 148
the future of Europe on two very different member States. With the help of expert knowledge and the application of the model on two members it will help make the research more understandable and also include the interplay between the national and supranational level, as decisions made on the supranational level might have very different outcomes on the national/ local level, in this case Germany and Hungary.
II. Historical Context

1.) The `Empty Chair Crisis’

Beginning with the `Empty Chair Crisis’ and Luxembourg Compromise, which was one of the first crises the EU or its predecessor at that time the European Economic Community (EEC) had to face. In the start of the 60’s this crisis developed out of the idea to integrate, but at the same time the unwillingness of various member states concerning future enlargement and reforms of certain policies. This sounds surprisingly familiar, as the recent struggles in the EU are defined by the same issues. But back to the 60’s, where two problems arose. First of all `the Commission influence and the apparent smooth progress of the EEC received a major setback in January 1963 when President De Gaulle unilaterally vetoed the British government’s application for membership.’5 The French feared that their hegemonic power within the EEC would diminish, as ‘the platform of the EEC should be a reassertion of French greatness in international affairs’6 therefore the British application and possible membership was not in their interests, as it would change the power dynamics within the cooperating states.7 But the peak of the crisis was reached in 1965, when the French delegation boycotted the Council for various reasons. One of the pressing problems was the fact that the Commission presented a new approach concerning the budget of the Common Agricultural Policy (CAP).8 De Gaulle was very opposed to this idea and in some way frightened to give so much power to the supranational institutions, his primary goal was to strengthen the interests of national governments.9

The absence of the French was no long-term option, a solution needed to be found, which was concluded in the form of the Luxembourg Compromise in January 1966. Although after this the French stopped the boycott, it left a major mark on the Communities. For that period no chance in the integration process was visible due to the French hegemony. With this of course the initial Commission offer on the budget was rejected, as well as Qualified Majority Voting (QMV) in order to preserve the veto

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6 I. Bache and S. George, loc. cit
7 I. Bache and S. George, op. cit., p. 123
8 P. Ludlow, `Challenging French Leadership in Europe: Germany, Italy, the Netherlands and the Outbreak of the Empty Chair Crisis of 1965- 1966’, *Contemporary European History*, vol. 8, no. 2, 1999, pp. 231- 248
powers of the member states. The last and most important aspect of the Compromise regarding the European integration process was the fact that the Commission lost a major part of its powers in order to satisfy De Gaulle and strengthen the intergovernmental structure of the EEC.\textsuperscript{10}

Even though the most pressing issues for the French were resolved with the Luxembourg Compromise, this showed one major problem and weakness of the EEC and later EU for the first time: its mostly intergovernmental based structure was leading to very differing views, opinions and perspectives on what the European Cooperation should look like, who should be involved and how much. Which bodies and institutions are vital in the decision-making process and especially what the political steps towards more integration should encompass? One could argue that because this was the very early phase of European integration, two decades after WWII, the members states where not ready to give up sovereignty to a supranational power and the skepticism of such a step understandable. But if we look at it from the perspective of today and how this might have had and will have an influence on the future development of integration, we can clearly see that the essential dispute on how the European integration process should look like and if it should be an intergovernmental or supranational structure already started in the early phases of the European Union. This is therefore not very different from the recent dilemma of various member states wanting a different EU or having a different understanding on how the integration should be pursued and what the EU’s key roles should be.

This would be one aspect of past experiences where history proves that the EU or its predecessor the EEC had its own struggles on the path of European Integration and the member states play an essential role in shaping the development. But when it comes to Euroscepticism people often tend to think that this is a recent trend and a problem that only occurred with the crises of this decade.

\textsuperscript{10} I. Bache and S. George, op. cit., p. 124
2.) Absence of Integration 70’s and 80’s and Eurosclerosis

'The late 1970’s and 1980’s were periods of 'Europessimism' and 'Eurosclerosis', when politicians and academics alike lost faith in European institutions.'\(^{11}\) With the words of Andrew Moravcsik this shows, that the EEC was in a decade of stagnation and no progress. This does not mean that nothing happened, or the EEC institutions and members were inactive. The Hague Summit marked new competences for the Commission from 1969 onwards.\(^{12}\) These policies included 'financing arrangements of the EC budget, enlargement to take in Britain and other applicant states, progress to economic and monetary union, and trying to develop a common foreign policy.'\(^{13}\) So there were after all goals and targets to achieve, and one might argue that with this inevitably also comes closer integration. But it is important to remember that with the Luxembourg Compromise the intergovernmental structure was extremely strengthened, especially with the veto power of the member states, making it hard for the Commission to pressure or push for more integration, if any of the states could oppose it. The expression for this situation, which established over the years is 'Eurosclerosis'\(^{14}\). It relates to the medical term of sclerosis which is defined by hardening or stiffed up tissue. In the European context or used for as metaphor it meant the stagnating development in both economic as well as political aspects, where member states where dealing with their own economic problems, not willing to integrate and very sceptic of the overall development of the European Economic Communities (EEC). If we look back at integration also in the economic sense, before the 70’s this always happened during a phase of upswing and optimistic and positive economic developments, whereas in the 70’s the EEC had to face an economic crisis for the first time, as the OPEC countries started to demand raise the oil prices in 1973, which made it additionally difficult besides the strong intergovernmental structure to push for integration when the economy is suffering and the member states struggling.\(^{15}\) This of course explains why members states were focusing more on their own matters and were not particularly interested in pooling and sharing of sovereignty at that point. In conclusion one could

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\(^{13}\) I. Bache and S. George, op. cit., p. 125


\(^{15}\) I. Bache and S. George, op. cit., p. 126
argue that integration did take place, as Great Britain, Ireland and Denmark joined the EEC and various measures were successful. But all in all, it gets clear that with the membership of the UK, Ireland and Denmark the EEC gained three more members who were not keen on more integration or supranationalism as such. This did not necessarily help the process in the 70’s and 80’s.

With regards to the future and the recent developments of the Financial Crisis in 2009 and Brexit, one can draw the parallels of slowing down of the integration process and Euroscepticism, when the economic background is not functioning properly and the British stance once again, not willing to give up power to a supranational institution and promoting the intergovernmental stance. In the end one can clearly see that the economic and political dimension within the European Union are interdependent and intertwined since the 70’s, problems during this process can lead to stagnation and Euroscepticism, as seen in the 70’s but also in the recent times after the Financial Crisis. So apart from the importance of the member states and their interests, the economic background always plays a very decisive role in the integration process of the EU and can even be the factor, of whether it steers towards success or failure. This again underlines the fact, that the European Integration process is characterized by ups and downs, just like the economy.

3.) Failure of the Constitutional Treaty

Concerning the history of the EU, a big step was taken towards the new century. With the Laeken Declaration in 2001, the EU should become `more democratic, more transparent and more efficient’ but also tackle the problem of democratic deficit within the EU and a general disconnect between the people and the institutions. But the Nice Treaty signed in 2001 indicated that the European Union’s framework was in need of a thorough analysis, reevaluation and revision in the areas of a constitution and structure for the EU. The starting point was considered the intergovernmental conference in 2004 in Rome. Here the member states agreed on a Constitutional structure which can be categorized into four categories. Beginning with the core elements of the EU, like fundamental rights and citizenship, it then further elaborated

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on competences and bodies and included finance and membership. This was followed by a Charter of Fundamental Rights of the EU. The third part then concerned the policies and functioning of the Union. The last part can be concluded as general and final provisions. All in all this seemed to be a major success and step for the integration, all the member states signed the treaty so it was time for the ratification procedure in each member state. But surprisingly this did not go well at all. France and the Netherlands held referenda, in both countries, the Constitutional Treaty got rejected. But what were the reasons for this? Nugent mentions various possible reasons:

One reason for this growing opposition to the form of the Treaty, which was seen by many as embracing elite rather than popular wishes. Another reason was concerns about the supposed ‘Anglo-American’ social and economic values contained in the Treaty: although, in reality, the Constitutional Treaty contained no significant changes in values from previous treaties, opponents of the Treaty presented it as doing so- to the background of concerns about whether existing welfare systems could be sustained. And a third reason was that various ‘non-Treaty’ matters featured in the campaign- including political opposition to the governments in power, insecurities arising from the May 2004 enlargement and projected Turkish accession, and resentment in the Netherlands over the country being the largest per capita contributor to the EU budget.

So, in retrospect one could clearly argue that this was the perfect example of failure of the integration process once again and that the member states were not willing to integrate. But in this case, it gets clear that the intergovernmental step was not denied by the leaders of the member states, as they worked on the content of the treaty and signed it, but it was rejected by the people themselves. One could also argue that this was a success and major step and paved the way for the Lisbon Treaty in 2006, who learned from the mistakes of the Constitutional Treaty and was yet another milestone in the integration process.

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18 N. Nugent, op. cit., p. 74
III. Recent Development

1.) The Financial Crisis

The Financial Crisis of 2008 shook not only the whole world, but left a major brandmark on Europe, the Eurocrisis of 2009. This generated an intensive crisis within the EU, as never before in its history. The economies of Greece, Cyprus, Spain, Ireland and Portugal in particular crashed and the countries had to be saved and be bailed out from bankruptcy by the other EU-members. But not only that. The crisis can be divided into three parts: the banking crisis, sovereign debt crisis and underinvestment and imbalance crisis. 19 It weakened the market and whole structures of the EU for years, and it was and still is very difficult for many countries to meet the criterions and keep the strict economic course of the government and savings restrictions. But the most important consequence of the crisis was a huge wave of dissatisfaction with the EU amongst its citizens, which strengthened Euroscepticism immensely and caused for these sentiments to rise all around Europe. But what exactly led the total failure of the European mechanisms in the Single Market and how could it come to such a horrible situation for many states?

The answer to this question leads us back to the overall problem of more or less integration and the side effects that come with these steps on the national and supranational level. As it is known in hindsight a lot of investments were based on unsustainable loans in the public and private sector.20 The sovereign debt of the European banks increased, the loans were reduced which led to households reducing their expenditures and states reducing their budget. 21 The crisis broke out and the unemployment rate increased, especially in the southern member states of the EU and very few new jobs were created. As all aspects are interconnected and interdependent the economic crisis also led to a political crisis, the member states had to solve the problem, but the people were more and more upset with the EU and blamed each other for the bad situation. The challenge, in the eyes of Matei and Calapod, for the EU and decision-makers were on the one hand to save those countries that were severely...

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21 L. Matei and A. Calapod, loc. cit
damaged by the crisis, adopt new supervision and regulation to avoid future similar issues, but also to avoid the end of the EU integration and European Union supranational entity.\textsuperscript{22} This argument shows how deep the actual problem of the EU was and the roots can be found not only in the financial crisis of 2008, but in the euro and the structure of the Single Market and the European Central Bank (ECB) itself.

The problem with adopting a common currency is the need to converge otherwise the eurozone would crash.\textsuperscript{23} As Müller pointed out, attempts were made to reduce the inflation rates within the Eurozone but convergence was not fulfilled. “Another aspect was the fact that the ECB was created as a federal bank that is not guaranteed by a sovereign state and is prohibited from acting as a lender of last resort- which meant that the crisis could not be handled like a normal state would have handled it, by printing more money.” \textsuperscript{24} This fact touches on the overall problem of the structure of the European Union, and that it wants to act as one entity especially in economic terms, but for this to be successful there is a need for a political union on the same level. In the words of Müllers interpretation of Joseph Weiler, the EU is federalism without a federal state.\textsuperscript{25} Of course, the crisis and its outcome cannot be blamed on one single actor, and a lot of efforts were made on both sides from the EU and the member states to regulate and introduce preventative mechanisms, like the Commission assessing the budgetary plans of the member states. However, it gets clear that the EU is deep in the integration process and the fact that the economic side of the European Cooperation is very advanced as opposed to the political cooperation leads to problems and on the long term poses the question which direction it wants to develop. The crisis proved the functional spill- over in this case, as economic cooperation in the long term also needs political cooperation, if this is not given problems arise, in this case the Eurozone was unable to act quickly. Of course, the member states are still holding onto their sovereignty and do not want to give the EU too much power, but at the same time every member wants to benefit from all economic aspects the EU has to offer, which means that it is necessary to give up more political power as well, to make it successful. The unwillingness of member states would mean that the EU would need to take back a few steps in the

\textsuperscript{22} L. Matei and A. Calapod, loc. cit
\textsuperscript{23} J. Müller, Europe’s Perfect Storm: The Political and Economic Consequences of the Eurocrisis, \textit{Dissent University of Pennsylvania Press}, vol. 59, no. 4, 2012, p. 48
\textsuperscript{24} J. Müller, loc. cit
integration process and abolish mechanisms and already existing regulations that require supranational control, as this can only be guaranteed if the EU is also politically structured in a supranational way, in order to implement the economic structure correctly. For now, enough measures are holding together the loosely arranged mixture of intergovernmental and supranational control over the supranational economy, but for the future the necessity to integrate more also on the political level will be inevitable in order to avoid future crises and be able to compete on a global level.

This crisis in the end did not only reveal the institutional weaknesses when it comes to the integration process within the EU, but it also showed how horrible consequences such a crisis can have amongst the people. They started doubting the whole system, especially the EU as such, Germans did not want to pay for the Greeks self-made misery and the Greeks compared Chancellor Merkel and Finance Minister Schäuble with the Nazis, because of the strict savings restrictions they were put under. It caused hatred and a big divide between North and South but also gave rise to the Eurosceptic and Populist parties. It helped the Ukip party immensely in their campaign for Brexit, and other parties like the AfD in Germany came to rise, promoting the exit from the Euro and re-introducing the Deutsche Mark. These developments during the Eurocrisis, will also have an important impact on the following Migration crisis, as this even more fueled the already existing tendencies of the discord between the European citizens and gave the populists and Brexit supporters even more incentives to mislead and misguide the people.

2.) The Migration Crisis

In recent times the EU had to face various crisis of very different nature. Apart from the Eurocrisis the Migration Crisis unfolded in the year 2015, where an estimated number of around 1,2 million refugees sought asylum in Europe, especially in the richer northern countries. Majority of them fleeing the horrible ongoing civil war in Syria or unstable and uncertain situations in Afghanistan and Iraq. This, from the outside seeming humanitarian crisis, divided Europe and the EU more than ever before, and until this day resulted in tensions and bad relations amongst various member states. It

also unraveled the problematic structure of the European migration policy, where the majority of rules are made on a national basis, but the framework are the Dublin rules, which means that the asylum seeker can only be granted asylum or refugee status in the country where he first entered the European Union. This system of course is problematic, as the countries having EU external borders would be flooded with migrants whereas the other countries could only be reached by plane in order to act in accordance with the Dublin Regulations. Although these rules were broken during the crisis for obvious reasons and countries like Sweden and Germany took in an immense amount of refugees, it still showed how divided the Member States are on this issue, and until this day, especially the Eastern Group of countries who call themselves Visegrad group refuse to take in any migrants especially on the grounds of their religious believes, which is against the basic human rights and a major setback for the development of the EU so far. Where it was expected that at this point of the integration process, the rule of law, basic human rights and democracy would not be an issue anymore. But this crisis once again gave a huge rise to populist rhetoric, right wing and Eurosceptic parties and overall resentment towards the European Union, as two crises in a row hit the EU. And both of them, although very different in nature, showed that the EU is far from a well-functioning institution and is not able to unite its own members in order to act effectively and successfully, which caused a lot of people not believing in the project and questioning the whole EU as such. This again unravels the fundamental problem of the EU in many policy areas and one of the reasons behind the Eurocrisis as well as the Migration Crisis, which is the fact that most policies are composed of national laws and regulations, as well as some European measures. This leaves the EU to be very ineffective as proven during these crises, but also shows that the very different national laws and regulations are not enough and the need and cry for harmonization and European oversight is louder than ever, no matter how much national governments try to ignore or suppress this very obvious issue. Of course, it is easy to blame the EU for all that happened, but if we take a closer look, we might realize that the major cause in the first place for all the problems, and the paralyzed decision-making amongst the members was caused by the nation states themselves. People tend to forget that the most important actor in the EU is not the EU as bureaucratic monster or the Commission President as European emperor, as so often

28 M. Scipioni, Failing forward in EU migration policy? EU integration after the 2015 asylum and migration crisis, Journal of European Public Policy, vol. 25, no. 9, 2018, pp. 1357-1375
portrayed by the populists. The most important actors in the EU are the nation states, the elected heads of state and government and their representatives shape the EU, therefore it is them who are responsible and should take the blame for the crises instead of bashing the EU and blaming other member states. Because in the end all the countries are sitting on one table and decide. And maybe exactly this lack of unity shows that a supranational European Union is needed, in order to avoid crises and have effective decision-making. But once again the members are not willing to integrate more and give up their sovereignty, which is why these crises occur and the distrust and dissatisfaction with the EU grows not only amongst the people but also amongst the elites and decision-makers around Europe, for which the Brexit is the best example, how far this problematic relationship and stagnation can lead as a consequence.

3.) Brexit

In June 2016 the United Kingdom held a referendum on whether or not they should stay or leave the European Union, as a result of David Cameron’s election campaign promises. A very close result of 51.9% over 48.1% voted to leave the European Union. This referendum divided Britain itself, with a pro-EU Scotland and London aiming to remain in the EU and a lot of unanswered questions, like the North Irish border. But until this day it is not clear how Britain intends to leave the Union in April 2019. Unfortunately, the agreements that were reached between the EU and the current Prime Minister Theresa May were not satisfying enough for the British Parliament to ratify it, but rather risk a hard Brexit or also known as ‘No-deal’. But how Brexit evolved and the fact that national parties used the topic of leaving the European Union in a phase of difficulty for their own gain and in order to secure votes in their national elections, shows how little the nation states actually care about the European Union. As long as it is in their interests and they can profit off it, they tolerate it, but will not take one step further in giving up national sovereignty to the supranational level in order to continue and to secure the well-functioning of the EU.

As soon as it gets problematic and the EU faces challenges because of its complicated nature and mixture of intergovernmentalism and supranationalism, it is better to give in to the populist agenda and leave. This however is not the solution, and instead of asking the people to decide on a matter, which they have none or very little knowledge upon, except for the facts Euroscepticists and the mass media fed them, not realizing that the European Union is more complex and interconnected and cannot be simplified in a supranational agency that controls Britain as it was so often portrayed. They had no idea of the actual scope of the matter and its outcome and should have therefore never been able to decide on a matter which they themselves not even fully comprehend to its extent. This was one of the most fatal and biggest mistakes in the history of the European Union and Britain. Of course, one could argue that Britain always had a troubled relationship with the European Cooperation, but for more than 30 years, there was always a compromise worked out in order to satisfy the Brits, so this could have been solved otherwise. Brexit also shows how deep the EU is already stuck into the integration process, and that it is very difficult to leave at this point and would mean more loss than win for the UK in the long run. So the only logical consequence at this point is to keep up the integration process and even integrate more, to overcome the existing difficulties, get stronger and finalize the European Union on a full scope. Although this is a major setback in the process of the European Union, it may also be a positive aspect as the UK always opposed more integration and had a very intergovernmental stance. With Britain gone, this may also be a signal to the remaining 27 member states to cooperate even closer and to take the next step of integration. At the point of finishing this thesis, the UK did not leave the EU on the 29th of March 2019 as originally planned, instead asked for another delay which was granted by the European Council until 31st of October 2019 the latest. But this begs the question whether or not the UK will take part in the European Election in May 2019. The Brexit process turned out to be more complicated and until this point the UK has asked to stay in the EU for longer and still has no agreement on how they want to leave the Union.

In the end the historical context with various crises in the progress of the European integration process as well as recent developments show, that in order for the EU to sustain and function effectively there is a need to integrate more and be closer. No matter how different the crises were in the past and recent time, if social, financial, constitutional, or otherwise, it always presented the EU the possibility to grow stronger and realize that the problems arise from the discord between its members to act on
certain matters. Although the research question and hypothesis suggest that a federal or supranational entity is necessary, the tendencies as outcome of the historical context show, that they are rather intergovernmental, and the member states are the most important players in the EU. This is not bad at all, but as we have seen from the Eurocrisis and Migration crisis this twist between the supranational EU criteria like the Eurozone and the Single Market or the Dublin Regulations, versus the individual measures of the national governments, in the long-term lead to chaos and crises. It shows that a consensus is necessary on how the member states and the EU need to harmonize in order to be effective. This step would require closer cooperation, which is opposed by a lot of members. The only possible outcome in this regard would be to take a step back in the integration process and strictly re-divide the sovereignty between the member states and the EU, only deciding on economic cooperation on EU level and leaving the remaining policies to the national governments. But as seen with Brexit, this step may sound easier on paper than in reality. As the integration process already has come so far, it is difficult to undo the already existing and functioning system. Another aspect that would oppose the fact that the step back to only economic cooperation would be an option, is the spill-over effect. Cooperation in one field or area necessitates cooperation in another field. So in order to have well-functioning economic cooperation, convergence in other policy fields is needed to make it work. This leads to the only real option, which is to integrate even more and complete a supranational European structure, not only in order to avoid crises and promise functioning, but also to be able to keep up the competition and hold the position of a global player, with the rise of China, India and Brazil, but also with existing powers like the US. Only if the Europeans see the scale on which the world is moving and how to maintain its position in the international arena, with the demographic and environmental developments, united as one European entity will it be able to face the challenges and survive.
IV. Presentation and analysis of the 5 possible future scenarios given by the European Commission

IV.I Overall view about 5 scenarios

The five scenarios for the possible future of the EU are embedded in a White Paper, published by the European Commission in March 2017. It aims to provide scenarios for the 27 member States on how to move on and develop by 2025. White Papers are aimed to 'launch a debate with the public, stakeholders, the European Parliament and the Council in order to arrive at a political consensus.' These scenarios are not solutions or fixed decisions which will be implemented, but rather initiatives and vague ideas on what the next step for the EU should look like and to receive input by the public on how to accomplish these possible steps in the future integration process of the EU. The scenarios range from keeping things as they are, to closer and more integration or to less integration, in the sense of technically going back a few steps in the integration phase. All in all the aim is to satisfy all members and find a way for every state to be content, 'the starting point for each scenario is that 27 member states move forward together as a Union.' This quote shows, that the most important goal of the White Paper and the EU Commission in the long run is to promote sustainable relations amongst its members and ensure good cooperation and satisfaction and only moving forward with all members on board, not leaving anyone behind and showing that the European Union is only strong and willing to be strong if it acts united. This is not so surprising, as Brexit showed how easily mistrust in the EU and poor decision-making as well as miscommunication on sides of national governments as well as the public and the European level can lead to disruption and chaos as well as the break-up of the relations as seen in the case of the UK. In order to avoid and learn from past mistakes one of the most important parts of the agenda of the European Commission and the content of the White Paper is the aim to therefore move on stronger than ever, closer united and presenting the options for the future but at the same time ensuring that only one solution, with which every member is in accordance should be the outcome.

IV.II Analysis of scenarios on different points of view

1.) Scenario 1: Carrying-on

1.1 Analyzing the content of the scenarios and their impacts on decision-making, legislation, institutions, member states and shaping the future

This scenario, as the name suggests, mainly proposes to stick to the already achieved terms of the EU. Only some rather minor changes and improvements to the already existing framework are proposed.

The field of decision-making would not undergo major changes, the only emphasis given in the paper highlights the fact that in order to have successful decisions and effective ones, this depends on the negotiations between the member states and their willingness to find an agreement. Here the intergovernmental decision-making and democratic deficit gets visible. Decisions still heavily rely on intergovernmental bargaining and national interests rather than European interests, and with the Parliament being mostly involved as Co-decision maker.

This in turn weakens the European Union as such, the institutions like the Commission and the Parliament suffer greatly under the recent structure, as they are dependent on the national governments in the Council and it takes a great effort to come to agreements or to implement policies. This was especially visible during the Eurocrisis as well as the Migration crisis where the EU itself was paralyzed in a certain sense and unable to act on its own laws concerning the Eurozone or the Dublin Regulations as the Council decides, which is made up of the various member states. If they cannot agree because they share different stances on the issues, it is making it hard for the EU to act and leaving the ordinary people confused by the decision-making principles and blaming them as ineffective, when in reality their own governments are responsible for the situations. This would prevail under the ‘Carry-on scenario’ and keep the existing problems unsolved. Although this scenario aims at improving the European Monetary Union (EMU) and financial provisions, however these policies necessitate more integration in the long run, as the EU needs to control these processes.

If we look at the legislation and the major treaties of the past that changed EU legislation and the institutions, the ‘Carry-on scenario’ does not suggest any of that, but rather to stick to the already existing structure. Member states are required to work together, find consensus and the main aim to grow economically and secure jobs as well
as strengthen it. The ‘Carry-on scenario’ therefore suggests no closer cooperation or integration but strengthening and keeping up the already existing structure. This would mean that decisions are mostly based on the member states and they themselves shape the EU. It will be based on loosely supranational strongly intergovernmental cooperation.

Although carrying-on does not want to impose major changes in the EU framework it aims for progress in all fields, which is only possible with closer cooperation, which in turn shows the need for the next step of integration. Carry-on in the strict sense would mean no progress in these fields, just everything staying as it is. Stagnation and complicated ineffective processes would shape the EU, this would be the outcome and future result of this scenario.

1.2 Contextualization research question, which direction of integration would be the outcome, what would be benefits and losses of this scenario and how likely

The ‘Carry-on scenario’ would lead to no particular direction in the sense of more or less integration. It would simply cause stagnation, as indications are given towards a supranational entity or going back to loosely intergovernmental cooperation. The goal here is to preserve the already existing structure of the EU, being a supranational but mostly intergovernmental entity.

The benefits of this scenario are clearly national interests, so the winners in this sense would be the member states. Advantages for their sovereignty, their interests are still at the core of the EU, national governments make the important decisions. The EU institutions lost in this scenario, mainly the European Parliament and European Commission, as their power in this scheme is not extended and no shift towards a more supranational structure occurs or is even indicated. These institutions are still very dependent on the member states decisions and cannot act effectively and without obstacles on behalf of the European interests.

This scenario is very likely to occur, as the member states currently have very opposing and different views on what the EU should look like and which development path it should follow. Some countries favor more integration, like for instance France or the Benelux States, others rather oppose it and want a strictly intergovernmental cooperation, like Hungary or Poland, and then there are the countries that favor in-between solutions like Germany or the Scandinavian countries. Therefore, this scenario
is the easiest to form consensus amongst the member states, as it is simply sticking to the already existing structure if no solution for the future step can be found.

1.3 Interpretation/ Evaluation of different scenarios, consequences for the EU and member states relation

The EU – Member state relations can be defined as tense. But we need to specify the term member state, which in this context refers to the national governments of each member state, having a very different agenda and approach towards the EU, which makes it hard to find consensus and especially hard for the EU to defend common targets and values, if certain member states disagree.

In the future the ’Carrying-on scenario’ is not viable. The EU will evolve and grow closer and closer together, even if member states oppose that, it is an inevitable process. All member states want to benefit, which only works by implementing policies, conforming laws and regulations in the EU. Whether or not they like it, it will indirectly lead to more integration, as at one point it is impossible to control European issues on national level, as they are way too interconnected and dependent with various intra-European regions outside the national capacity, jurisdiction and knowledge, which is why a European instance or supranational structure will be necessary if the EU wants to succeed.

For the near future the ’Carrying-on scenario’ might be a good alternative when it comes to disagreement amongst the members on what the integration process should look like. But in the long run this scenario is not an option.

2.) Scenario 2: Nothing but the single market

2.1 Analyzing the Content of the Scenarios and their impacts on Decision-making, Legislation, Institutions, Member States and shaping the future

This scenario deals with a drastic reduction of EU laws, regulations and involvement. It basically proposes a step back in the Integration process. It aims to reduce cooperation in many fields and define it on the bases of the single market, which should be the main purpose of the EU. This proposal serves the main Eurosceptic members and is a
difficult step to acquire if we look at the already accomplished integration process so far.

Although this scenario emphasizes the ease in decision-making, `Decision-making may be simpler to understand but the capacity to act collectively is limited.`\(^{32}\) Of course this means it is easier to understand the processes as they are only focused on the single market, but as the quote pointed out, this can be very misleading as the allegedly new gained simplicity in decision-making comes at a high price: No consensus and regulations in other related fields that might be affected by the spill-over generated by the economic cooperation like security, migration and the free movement of goods, services and people. Here decision-making is based on bilateral agreements, therefore lays in the hands of national governments, the EU is not much involved.

Looking at the institutions, the power of the European Commission and European Parliament would be reduced to a previous existing stage and restrained more than under the current framework. The EU would be based on a strictly intergovernmental structure, with the European Commission and the European Parliament only having advisory roles in the rare occasions that member states cooperate on a policy, like the single market.

According to this scenario a major change in the EU legislation would be necessary to make it happen. Major treaties that provided for the integration process and closer cooperation like the Lisbon Treaty would need to be reversed in order to go back to only economic cooperation, without the involvement of other policy areas and more power for supranational bodies.

For the future this scenario is not really viable as it is a step backwards not only in the sense of cooperation but also in the development and success of the EU, and would mean in the long-term that the EU is not able to compete on the global level, as it went back to every member state doing as it pleases, and for that European nations are simply too weak to keep up with big countries like China, the US or India. The single market is not enough to tackle the issue, as in order for the single market to be at its best and be most competitive other related, by the spill-over effected areas need to function flawlessly at a European level as well. This does not happen under the following scenario, which will lead to more complications, disagreements among the members.

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and problematic relations and in the end make Europe weak, lead to various crises of unemployment, economic decline and stagnation.

2.2 Contextualization Research Question, which direction of integration would be the outcome, what would be Benefits and Losses of this scenario and how likely

The Integration process proposed by this scenario is as already mentioned a step back in the integration process, focusing on solely economic cooperation in a highly intergovernmental bargaining process. This step would mean that the EU only exists to serve the purpose of the Single Market and the cooperation amongst the member states would occur only on an economic basis. This means issues of the Eurozone, Single Market and other related economic issues are decided on European level and by the Council, so mainly the member states with some advisory and co-decision abilities of the European Parliament and the European Commission. But all other related areas and probable areas affected by the spill-over of the economic cooperation are left to the national governments and bilateral agreements, which could lead to problems in the field of the single market as the freedom of movement, migration and security cannot be guaranteed to function without problems. The issue with bilateralism on a European level is, that it only solves certain issue areas which are agreed on between two states, this is problematic as the EU consists of more than two countries and bilateralism does not ensure the success in all countries on all levels for the single market to function without problems. It is not an accident that the EU has come as far as it has until now. The cooperation in the beginning, which was based on economic cooperation, necessitated for its most effective, successful and perfect functioning also cooperation in other fields and areas.

Therefore, the losses of this scenario would be tremendous. All the other aspects that shape the EU today and make the Union as successful as it can be will be gone. These include all aspects of political cooperation and would mean for the European Citizen no more Schengen, Erasmus and millions of other easing measures and standards ensuring good living standards in the EU. The White Paper points out in addition to that, the risk of a race to the bottom, which means as a result of only economic cooperation and no influence over other related fields like welfare policies from wages, to pensions this lays in the hands of national governments and due to the pressure of globalization and the best possible economic success, these protecting measures will suffer and start to decrease in the competition process and create a race to the bottom in that sense. The
only benefits of this scenario would be the satisfaction of populist and Eurosceptic politicians, as they achieved their goal and a very simple European Union, as the cooperation processes are only focused on economic basis. This scenario is highly unlikely, as it would lead to more losses than gains for the Union and the people. It only serves the interest of nation states, in the sense that national governments get their sovereignty back and decide for themselves on European and international issues. This does not help the European Citizens in their everyday life and ignores the fact that even under the more integrated structure of the EU, the nation states and national governments decide, as the Council is the main decision maker. What good would this scenario do for the national government or countries sovereignty, when it means great economic, societal and political losses and more difficulties for the Citizens? But as we can see with Brexit, some countries are willing to pay this high price in order to regain their claimed sovereignty, which was never lost in the first place, only transformed into sharing and pooling among other nations on a European level, although no one pays attention to this fact.

2.3 Interpretation/ Evaluation of different scenarios, Consequences for the EU and Member States relation

This scenario would mean almost no relationship between the EU and the member States, as all the power is given back to the member states and the only purpose would be the economic cooperation. It would weaken the European Parliament, the European Commission as well as the Council of Ministers immensely as their sole purpose is to decide on economic matters. This means strict separation between the EU and the member states, and problematic relations when it comes to trade and economic related fields. If the EU wants to ensure the best possible economic outcome but the member states all have varying and different national laws and regulations on the border protection, this could hinder the movement and mobility of workforce, goods and services and lead to decrease and losses. In addition to that it would make intergovernmental bargaining more difficult, because how can the member states be expected to decide on the economic regulations on a European level, if they decide every other policy for themselves. This cannot work and as the spill over thesis proves that cooperation in one filed or area, necessitates cooperation in another related field or area and if that does not happen, because this self- evolving process is blocked by the member states each insisting to make what they think is best for their country, without
thinking about others, their interconnectedness and interdependence cannot profit from each other, not even in economic terms as they hinder this development themselves. This will be especially visible in the weaker member states, like the southern and eastern member states, they in particular would suffer immensely from these losses, as they rely on the western and northern investments and subsidies, but if they cannot agree on some common standards for example regarding migration, which is very likely it will make it harder to secure free trade and a functioning single market, which in turn will lead to less investment, less revenues, huge losses and in the end result in crises.

For the future this scenario would mean a weak European Union, not able to compete on a global level with the other big and emerging powers. It would lack the necessary cooperation in other to the economy related fields, in order to ensure long-term success.

3.) Scenario 3: Those who want to do more do more

3.1 Analyzing the Content of the Scenarios and their impacts on Decision-making, Legislation, Institutions, Member States and shaping the future

This scenario deals with the idea of the EU and its policy fields being open for those member states who want to be more involved to be more involved and those members who are not interested do not have to follow. This would mean an EU with a mosaic of various policies and the member states following the ones they want.

The decision-making process would be easier as only the involved members decide on the policies and since there are interested in it or rather willing, they do not have to try and find consensus and lose precious time and certain paragraphs in order to convince a skeptical member. The only involvement that is required to agree would be to specify the technical terms and the functions as well as the implementation. Mostly this can be done under the current framework of decision-making although this scenario would require more supranational power, in order to oversee all the various policies and involved member states in order to secure a successful functioning and correct implementation.

In the legislation this scenario would necessitate major changes, as opt-outs for all the policies need to be guaranteed to all the member states. It needs to be transformed in the sense that the willing member states are involved and those who do not want to be involved do not have to, so this possibility needs to be specified, defined and implemented as the new ruling in the EU. A major treaty change like the Lisbon treaty
would be required for this scenario to become reality, otherwise this idea would lead to chaos. Only a strictly regulated framework can ensure this idea to work out.

If we look at the institutions, this would require a smooth cooperation amongst all the member states and the EU bodies, otherwise this scenario could result in confusion. For the EU bodies this would mean easier policy implementation, as only the willing would participate but at the same time this would mean a more complicated EU, as there would be no uniform framework for all the members, but varying involvements of the different members states, which will have to rely on the EU bodies for help and oversight. The member states in this scenario can decide for themselves which regulations or policies they want to adopt, which makes it easier for them if they disagree, they do not have to be involved. This only begs the question to which extend the Member States are able to foresee and assess which policy is good or bad especially when the national governments are ideology driven and not necessarily act what would be in the best interests for the country and people in the long-term but rather what suits their agenda in order to get reelected.

3.2 Contextualization Research Question, which direction of integration would be the outcome, what would be Benefits and Losses of this scenario and how likely

This scenario would be a small step closer in the integration process, but at the same time a step back as it promotes more integration for those who want to do more, but this does not mean that the EU with all its 27 members moves closer together and is ready to work even better than before. It means a kind of compromise, so that the integration process does not stagnate, but it does not serve the real purpose of all countries working together in all fields in order to secure success. It will also lead to alienation, as some members will separate themselves from other members and only work on specific issues together. Of course this scenario is the best option in order to satisfy EU-integrationists and Euroscepticists, but in the long run it would divide the EU in exactly these two camps which would not be the goal, but rather negotiate, force them to work together in order to put their differences aside and learn and develop a relationship and progressively work towards an EU that fits all imaginations.

Benefits from this scenario would be closer and more effective cooperation, but this would depend on the member state, its current government and their willingness to be involved in certain areas. This picked cooperation does not necessarily ensure effectivity or success as it makes it more complicated to ease the free movement and
trade flow if different countries adapt different policies and rules. The main aim for success would mean no problems along the way, but this scenario certainly would pose a problem in this sense. Further it would make it hard for the average citizen to understand and follow up which member adopted which policy especially when studying, working or travelling in the EU.

Losses from this scenario are therefore clear and will be especially visible in the countries that are less willing to integrate and cooperate, who adopted less policies and where less involved as this will at some point leave them behind other countries that integrated more, they would then need to catch up in order to secure fair and same standards throughout the EU.

This scenario is very likely in the sense that it would be a good alternative for problematic and stagnating EU processes. This would be a good alternative for a short period, in order to overcome problems or crises, but in the long-term this is not likely as it would only divide the EU and its members amongst themselves, which would make it ineffective, uncompetitive and weak on a global level.

### 3.3 Interpretation/ Evaluation of different scenarios, Consequences for the EU and Member States relation

This scenario means a better but at the same time more complicated relationship between the EU and the member states, as some are more willing to integrate, and others are not. This voluntary basis excludes the pressure of finding consensus, but it also leads to more separation amongst the members as there is no need for cooperation in all fields. This might seem easier, but in reality, this scenario would require a lot of regulations and supranational supervision, in order to secure that the functioning of each member state supporting the policies it wishes does not lead to chaos. In addition to that all member states would need to agree on the same ground rules and allowing the EU bodies, like for instance the Parliament and the Commission to overlook and control as well as guide the process, as this would be out of the member states own capacities to maintain all the policies which are followed each just by a certain selected group of member states. It would also mean that the Council Configurations would not only vary in terms of the issue area but only involve the member states agreeing and being involved in this policy. Although this seems as a viable solution for the short term or as an alternative it can and will not work on the long-term future. As already pointed out this scenario has not only positive aspects. It can lead to a divide or separation amongst
the member states, in terms of their involvement in the EU. If there is a group that moves forward with more integration in all policy areas, which would be very likely in terms of the Western European member states like the Benelux states for instance, and they are already highly developed very successful and as well as one of the Net Contributors, opposed to the Eurosceptic Eastern European member states, which still struggle to catch up and are net beneficiaries in the EU might even start to lag more behind if they do less in the EU. This in turn would hinder trade or the free movement or other forms of cooperation who need uniformity in order to function, as this would not be guaranteed under the new scenario but vary form member state to member state. In this sense this scenario might be useful in a few policy areas of big disagreement or an alternative in times of crisis or quick reaction, where there is no time for bargaining. As opposed to that in the long-run this scenario cannot work because it would divide the EU and that could not ensure the well-functioning and effectiveness of the policies throughout the Union and lead to more difficulties than easing the situation for everyone.

4.) Scenario 4: Doing less more efficiently

4.1 Analyzing the Content of the Scenarios and their impacts on Decision-making, Legislation, Institutions, Member States and shaping the future

This scenario deals with the proposal to leave certain policy areas and fields completely to the EU and act more efficiently on them and leaving other areas at national basis. This scenario promotes simplicity and a clear divide amongst the areas which would be integrated at a European level and the areas dealt with by each member state.

Decision-making would be divided into certain areas, like chosen priority areas and other important policy areas are dealt with on EU level and less important or more important policies at national level are left for the member states. This ensures quick and effective decision-making on important and EU-related issues and no involvement in less important areas, making the EU more effective and defined, helping improve the decision-making process with pre-determined policy areas, where it would be more easier to decide and find consensus on, as the member states have agreed to give up more power and sovereignty in those fields to the EU, but at the same time still maintaining policy areas for themselves.
The decision-making will therefore vary, and be mostly a mix between intergovernmental and supranational, as the policy initiation and supervision in the agreed fields would be done by the European Commission and the European Parliament as Co-legislator besides the Council which would act as deciding instance on the policy. This scenario in the strict sense will therefore have no impact on the decision-making process as such, but as the issue areas are clearly defined, it is that set of defined areas on which the decision-making process on the European level will take place.

The Legislation would indeed need some adjustments, as the required divide of policy areas between the EU and the member states would need a legal framework in order to function, and therefore a treaty would be necessary, ratified by all members in agreeing to this sort of a reform for the EU.

The Institutions like the European Commission and Parliament would be less burdened, as they would have a narrowed down and well-defined policy agenda. They can concentrate on less areas but work even better and more efficient on those specific areas, which in result makes it more successful and understandable for the citizens. Their role with regards to the integration process unfortunately would not change, as they remain mostly under the intergovernmental influence of the Council.

The member states on the other hand will have a clear separation between their responsible issue areas and the ones that concern the EU, so there is no room for complaints or blaming the EU for decisions, as they agreed to it and get to decide as well due to their representation in the Council.

For the future this scenario might be a solution as it provides a clear structure for the EU and its member states on how to deal with which policy area and might satisfy both sides. It would also help make the EU more effective in the decisions it is then doing and would bring it closer to its citizens as there are less competences, which means it is easier to follow and understand what the EU is doing.

4.2 Contextualization Research Question, which direction of integration would be the outcome, what would be Benefits and Losses of this scenario and how likely

This scenario would be a step into closer integration in a few agreed areas and at the same time a step back in the integration process as some areas will be under national control. It will however preserve the already existing structure of the between
Intergovernmentalism and supranationalism as not much changes when it comes to the integration process, but more of a divide between the policy areas.

Benefits of this scenario, as already pointed out would be the clear structure not only for the involved parties but also the citizens to understand. Policy areas are clearly divided and easy to follow. The EU can focus on the assigned policy areas, and with less on their plate do their work even better than before. This would also benefit the member states, especially the Eurosceptic member states fearing to lose their sovereignty during the EU integration process, as they would be ensured their share of policy areas conducted on the national level as well as their final say in the decision-making process within the EU. The losses of this scenario on the other hand would be that the integration process in the sense of closer cooperation and more efficiency in all fields of policy making would not be reached. In addition to that the EU would lose major incentives over policy areas, if member states want to control them, which makes the EU weak and not able to keep with the global competition, if all the members do what they want, as this leads to problems and difficulties within the otherwise smooth and comprehensive framework of rules and laws within the EU, if member states/national governments would start changing these up.

All in all this scenario is none of the less very likely, as it would satisfy all the members especially the Eurosceptic ones and lead to more defined policy areas and structure within the EU.

4.3 Interpretation/ Evaluation of different scenarios, Consequences for the EU and Member States relation

The relation of the EU and the member states after this scenario would be strictly separated and each would follow their designated policy areas. This seems as an easy process, but if we take into account that not all policy fields can be strictly divided between the one and the other. If the EU decides on most of the economic and financial issues, the member states, in order to secure the functioning and the benefits of these policies, whether they like it or not, need to implement their policies affected by the spill-over in line with it, otherwise they would have major problems. So even if the policy areas are divided, they still need to harmonize in order to secure the functioning of all sectors, which in turn begs the question in the first place, why bother implementing this divide if it is clear that cohesive and same regulations in all fields
need to be applied everywhere in order to ensure that everyone can benefit from the policies? Well not all member states see that, especially the Eurosceptic members insist on their national government having power and not losing their sovereignty and oppose the idea of more integration.

With that in mind this might be one option for the future, or at least to find a consensus or alternative solution which satisfies the EU-integrationist and Eurosceptic members, until they might finally agree both on more integration. So as in previous scenarios, this might be a good option for the short-term future but in the long run, this scenario is not viable and will not help the Member States nor the EU survive and actively keep up with the global competition.

5.) Scenario 5: Doing much more together

5.1 Analyzing the Content of the Scenarios and their impacts on Decision-making, Legislation, Institutions, Member States and shaping the future

This scenario proposes more integration in all policy fields, and the member states willingness to give up sovereignty and power towards the European level. It suggests speaking with one voice, when it comes to trade and foreign policy this scenario expects a major boost in the economy due to the new structure.

The decision-making in this process would be way quicker and faster as it would not be based on intergovernmental bargaining anymore but on supranational decision-making procedure. Here the European Commission would take the full role as policy initiating body, and the European Parliament as legislating body. The Council would be the executive body, but its decisions in all policy fields would be based on the Parliament. The Parliament would consist of transnational lists, based on European parties elected in the whole Union. The parliament would decide on all matters related to the European level, so only domestic politics would be left to the national governments of the member states, and they might have an advisory role through the Council towards the Parliament.

The Legislation for such a drastic transition would of course need to undergo major changes, in turn necessitate a completely new treaty and framework in order to function.
This would also mean that all the member states would need to agree on the new treaty and agree to the new supranational structure.

The institutions in this scenario as already mentioned would be the main and most important character, as they would take over the supranational role and rule or be in charge for a federally structured European Union. The institutions would receive more power from the national levels and responsibility than before. The major decision-maker for the EU would then be composed of mostly the European institutions with the member states national governments having reduced involvement.

This leads to the member states, which if we look at the national governments of course they would be less involved and lose some of their powers, but not to a bureaucratic power, rather to the representatives they sent to the transnational lists sitting in the parliament and the college of commissioners composed of a member from each state. In this sense the nation states are still indirectly involved, but European matters are handled in a European way and national matters handled by the national governments, creating a clear structure of cooperation and ensuring long term success for the member states, as they would all profit from a strong European Unity.

For the future this would mean the EU would be more competitive on a global scale, easier to understand for its citizens and make life even easier within the EU. The single market would flourish as all the related fields affected by the spill-over effect would be transformed as well on a European level, making all laws and regulations homogenous within the EU like for example taxation. It would protect European markets even more, at the same time making them stronger, and as a united entity being able to compete with the other large-scale economies and world powers like the US and China.

5.2 Contextualization Research Question, which direction of integration would be the outcome, what would be Benefits and Losses of this scenario and how likely

The ‘Doing much more together’ scenario would clearly advocate for more integration and in the long-term transform the European Union towards a supranational entity. The member states would give up sovereignty towards the European Level to work much closer on all policy areas, cooperating even closer than before and securing the long-term success of the European Union.
Benefits of `Doing much more together` are besides the economic strength and competitiveness on a global scale the profits in the daily life of the citizens. Existing barriers within the EU, due to different policies implied by the member states would disappear, it would get even easier to travel, live and work in the EU. The markets would be better equipped from outside forces and crises. It would also create a new feeling and understanding of the European population as one entity but diverse in itself, after a history of centuries of war, this would also be a monumental step in the understanding amongst different nationals/ citizens towards one understanding of the people of Europe.

Losses of this scenario would be on behalf of the national governments. Their power would from then on be focused on the domestic/ national level and everything related to the European level would be dealt with by the EU. In this sense the national governments have reduced power but at the same time indirectly regains it with representatives at all EU levels. But of course, this scenario expects a certain change of mind or thinking as if we stick to the intergovernmental perspective this would mean a major loss of national power, sovereignty and integrity of a nation state. But these differences and the member states holding on to power where it is clearly more beneficial to cooperate more on a supranational level shows that in order to step forward, develop and evolve in the future and keep up with global competition, the EU and its member states need to put their differences aside for the greater good to ensure a secure and well-functioning EU in the future.

As long as this understanding is missing amongst the people and the member states governments this scenario is very unlikely. In the near future this change of mind/ perspective is not visible and will not happen, which is why the other scenarios like Scenario three or four are likely to happen. But on the long run this scenario is inevitable as the world does not wait for the EU, it changes fast and the EU needs to be effective and adapt quickly otherwise it will lag behind and in the long run decline. It needs to strengthen and speak with a single voice in order to preserve its position in the world.
5.3 Interpretation/ Evaluation of different scenarios, Consequences for the EU and Member States relation

This scenario requires a high level of trust from the member states towards the EU. If it would give more power towards the European level, the EU must be well enough prepared and equipped to take on the task and properly take over the supranational role. In this case the relationship between the member states and the EU can be good, as they are willing to give up their power towards the supranational level and accept their reduced power in some policy fields. Just because the EU would have more power, it still needs good relations and cooperation with the member states to function. If the member states would not agree with this scenario, it is unlikely to happen as it needs the voluntary approval in order to happen, but if this is the case the member states relationship with the EU would be good. As this step was favored by all members.

This scenario would be probably not favored in the near future by the Visegrad states as their tendencies are Eurosceptic and afraid of giving up their power towards a supranational level.\textsuperscript{33}

This scenario would be likely for the Benelux countries, who push for more integration and are willing to give up their power for the benefits that would come out of such a step.

This scenario is difficult for the motor of the EU, France and Germany. Both want to get more involved and strengthen closer cooperation, under Macron France has taken a major step towards a supranational European Structure, but Germany for instance is more hesitant. In the long term they see this as final goal as well but in the near future, with the various crises that hit the EU hard, they are more sceptic and want to take the integration steps slowly and thoughtfully.

When it comes to the southern countries it is questionable which stance they take. On the one hand this depends on the currently elected government and sentiments of the people towards the EU as well as their economic problems, which are in their case decisive.

The Scandinavian countries promote more integration and close cooperation concerning political aspect but are more sceptic when it comes to the economic side, as they still have not introduced the Euro, except for Finland.

\textsuperscript{33} Kiss, E., \textit{The Dialectics of Modernity- Recognizing the Globalization}, Budapest, Arisztotelész Kiadó, 2014, p. 32-53 and 224-235
All in all, these scenarios show that the discussion for the future of Europe and the EU is necessary and no matter what the outcome will be it is important to include different perspectives and different scenarios favored by different member states. Here the discussion is necessary in order to assess which development for the EU would be the best and accepted by all the members. These scenarios presented by the European Commission, are very different and vary from a strict intergovernmental and economically based outcome or on the other hand a supranational European structure, with close cooperation in many policy fields.

For the most part it will depend on the fact that the EU and its members first need to deal with the crises and consequences of the financial, migration and Brexit. If these problems can be overcome and the member states can agree to take the next step in the integration process in order to avoid similar problems or crises, these scenarios might be a good option or basis for negotiation. But most scenarios unfortunately are very unlikely, as there are many disagreements within the EU and amongst the member states, so the `Carry-on` and `Those who want to do more do more` scenarios are probably most likely. In the long term the differences need to be overcome in order to cooperate closer and ensure the success of the EU. If this does not happen the `Nothing but the single market` scenario is likely to happen, but this would make the EU weak and in the long run fuel conflicts within Europe.

(See the summary of the comparative analysis of the 5 scenarios in Table 1 in the Appendix 1.)
V. Case study Hungary and Germany

1.) Expert opinion and analysis of future EU integration process of Hungary

The expert opinion on the case of Hungary in the integration process can be summarized in the following. “Hungary wants to keep the process within the realities”. Mr. Lóránt explains that in order to have successful economic integration for instance different preconditions need to be met like political unity.

As long as this process is not complete, more integration is not favored by Hungary, but rather intergovernmentalism, meaning cooperation of strong independent member states. He points out that this can be based on Hungary’s fears in the integration process, one of them being the centralization of power within the European Commission without the member states having a say.

When it comes to the scenarios proposed by the White Paper of the European Commission for the future of the EU, according to Mr. Lóránt it is insufficiently executed as the sources of the problems like Brexit etc. are not explained or taken into consideration. Nonetheless the most realistic scenarios would be Scenario 2 or 3. His answer on the expert opinion about the future development, Mr. Lóránt points out that the Union, in his eyes, developed away from its original purpose and the big divide and differences amongst the members in economic, political and other terms is very visible nowadays. The only way to overcome this is according to him, integrate less, as this is the only option left especially after the current crises. He thinks that ‘In this process, Hungary's role is to highlight the realities and possible solutions, the De Gaulle concept: the cooperation of nation states.’

2.) Expert opinion and analysis of future EU integration process of Germany

When it comes to Germany we can see that due to its decisive role with France throughout the integration process of the EU and its economic power its role is important. The direction of that Germany favors is mostly pro-integrationist, but it needs to be pointed out that this stance heavily depends on domestic politics. Here the threat of Euroscepticism cannot be left unmentioned.

Fears according to Mr. Kardosné- Kaponyi can be the power vacuum within the EU with Brexit, and Germany becoming an even more powerful member than it already is.

34 Questions for the Case Study on the Future of the EU, see Appendix on p. 54
As Scenarios favored by Germany, she selects scenario 3 and 5. The expert points out that in order to overcome the problems closer cooperation is needed, not only to overcome the problems but to prevent populistic/nationalistic demagogic that could potentially destroy the peace which was achieved throughout the integration process. Another important point is to understand the dynamic of the different member states, and the measures that need to be taken in order to make the seriousness of certain issues more visible, like the rule of law, misuse and corruption of EU funding.

It gets clear that as long as member states as individuals are the most powerful and decisive decision-makers within the EU no results will be reached that really push the EU as such forward. According to Mrs. Kardosné-Kaponyi, closer cooperation and unity does not only mean easier and better outcomes in law making but also more success throughout the Union.

3.) Comparative analysis of two future expectations

The conclusion that can be drawn from these two expert opinions on the two given countries is, that the smaller countries, that joined the Union very late in the integration process having a very differing background and view on various issues and policies, than maybe members that have shaped the process from the beginning or for a long time. It shows the less involved the countries were in the previous integration processes the more likely it is for them to be sceptic and holding on to their national interests over European interests, not realizing that this thought process is outdated and only self-harming as the national interests and successes are dependent and interconnected with European interests so this cannot be simply divided.

Another aspect is the fact that there is a need for closer political in order to avoid problems with the economic and monetary unity and move on from the consequences of the Eurozone crisis. This closer political union cannot be achieved by disintegration and intergovernmentalism, as we have seen in the Eurozone crisis, common economic and monetary policies but differing fiscal policies drive not only the own country into problems but the whole Union with it.

As Mrs. Kardosné-Kaponyi pointed out ´All EC/EU treaties are a product of compromise, but none of them are perfect, because much bargaining has always water downed the original plans. As long as each member State has a veto, it will not
change.  This problem does not represent political unity but shows the flaws of the on
intergovernmental bargaining based political cooperation of the strong independent
nation states, which only leads to problems.

But of course it is important to distinguish, as Germany was involved in the
integration process for more than 60 years, whereas Hungary and other Central Eastern
European Countries just 15 years, in turbulent times of EU-cooperation.

This leaves both countries with varying views on the whole process. This exactly
represents the underlying problem of the EU as such. Here more dialogue is needed. It
is not the solution to force or push all the members in a direction which they do not
want to go, before taking the step more time and negotiations, talks and discussions are
needed amongst the countries, in order to understand each other better, find consensus
and move forward together.

The two experts’ future options and the judgements of the present situation
concerning the EU also reflect the different knowledge or perception of the past and
present of two countries. If a country or a member state has no conscious or analytic
experience about the acceptable and more or less advantageous existence in the
integration process and its price then that country can only see its position and future in
a distorting mirror. I think that this may be one of the causes of Mr. Lóránt’s opinion
saying that “What is currently going on is not the integration, but the centralization of
power to create a European empire. In this realm, nation states lose their ability to act
(...)” This means the fear, that the EU can effectively limit the space of nation state’s
decision making and this can have negative effects on the future of Hungary. Against
this Mrs. Kardosné-Kaponyi says “Germany has traditionally represented a federalist
position (...) Germans have an interest in strengthening integration.”, because they
already experienced more years of integration process in the EU and have a clearer view
on the future and knows its benefits out of giving up power to a federal or supranational
structure as opposed to Hungary, who has been part of the EU for less years and is not
willing to give up more national power.

35 Questions for the Case Study on the Future of the EU, see Appendix on p. 57
36 Questions for the Case Study on the Future of the EU, see Appendix on p. 55
37 Questions for the Case Study on the Future of the EU, see Appendix on p. 56
VI. Conclusion

Overall it gets clear that through the 60 plus years of the European integration process, this was, is and never will be a smooth process. As shown in the historical context there have been crises that needed to be overcome in order to take the next step in the integration process. Here it is also important to emphasize that this mostly happened amongst six or up to 12 member states, where it was easier to find consensus and sufficient solutions for each member state. Nowadays the EU is composed of 27 very different member states, which means processes are more complicated and consensus finding in order to satisfy each member is a hard and difficult bargaining process. At the same time all of the members needed to realize especially in spite of the recent crises the EU had to undergo, that major changes and closer cooperation is inevitable if every member wants to profit from the EU.

This touches upon the very problem of the European Union. It consists of 27 very different countries, which despite all their differences agreed to cooperate in various policies as they all profit more from cooperation, pooling and sharing of power than being on their own. Despite this the well-functioning and success of the EU the nation states are still eager to hold on to their sovereignty or power. Especially due to the rise of Eurosceptic, nationalistic and populistic governments all over the EU.

This again begs the question, if the EU as such a system that it is right know can survive, as it is based on the willingness of the cooperation of the member states, or to be more precise the constantly changing and elected governments of these member states. But what ensures that these governments always have the best interests of their countries and citizens at heart, which would mean making life even easier than it already is, throughout the EU, which would only work with closer cooperation. How can we be sure that they do not follow strategies on how to win votes for the upcoming election in order to sustain their power? No matter the price of the campaign, like blaming the EU and being stubborn and uncooperative in important questions, and just expecting the profits of cooperation and funds without putting in incentives and giving back? This is a very delicate question, but actually necessary to answer. Especially with the global economic, political and geopolitical developments it would be expected that the European countries understand that the time has come to put their differences aside as they can no longer afford to act on behalf of their own national interests or not even to mention party interests, as in order to survive and increase the growth and stability throughout the Union the only way is to cooperate more and think on the European level or sphere as opposed to the national.
How many more crises do the nation states and societies need to realize that? Why else would the banking sector push for supranational oversight in the EU? How else should the EU function with supranational regulations and laws when it comes to the economy but every member following their own fiscal policies? This is in the long term not possible and will lead to more losses. This was especially proven in the Eurocrisis and the need for harmonized regulations when it comes to the monetary and fiscal policies, to ease the work of the banking sector and avoid future crises. This is only one of many more examples where cooperation and spill-over have resulted in the need for a supranational structure.

But many member states like to ignore this development and as long as the member States desperately hold on to their sovereignty the EU will be this intergovernmental supranational hybrid which lacks a democratic deficit in various areas and is unable and ineffective in times of crises, cannot react quickly to global developments and leaves the European Citizens confused and feeling distant from the EU. This behavior of the nation states just serves the short-term future and settles differing opinions on matters for the moment, but in the long-term the problems will occur over and over again in forms of crises until the problem is solved, which in our case would be the harmonization of laws all over the EU in many policy areas and cooperate more.

But this mentality is not visible amongst the member states governments, as they believe that there is no need for more integration, the modification of some laws and little changes like proposed in Scenario 3 or 4 are enough to deal with the future and makes the EU competitive enough. This is a big misconception and wrong believe.

It needs to be clearly pointed out that federal states of Europe or anything like that will not solve all the problems and should not be the next step. Not at all. This should not be confused with the fact that there is a need for closer cooperation on many levels and policy areas, more harmonization of laws and regulations at national and supranational level in order to prevent crises and ensure more effective and prosperous cooperation. This is proposed in Scenario 5. In the long run this might lead to a Federal Europe, but it is not necessarily the aim of closer cooperation.

It is also clear that there is a very established misunderstanding of what united states or federal united states of Europe would actually be. This would never mean a loss of identity or nationality, as the countries would still exist just in form of a federal

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structure overseeing them on the European level. Just because the citizens would feel European they would not be less French or Spanish or whatever nationality comes with that. But it is also clear that neither the European society nor the European countries right now are ready for such a development. For that the differences are still too difficult to overcome, which is why closer cooperation on so many levels would be necessary not only for the economic success or to prove on the global scale that Europe is a united power, but to show the people and prepare the countries to in the end go the last and completing step maybe 50 years from now, after 100 years of integration and Rome Treaties to accept the European fate.

If we look at the 5 scenarios proposed by the European Commission in order to get the discussion and ideas about the future development of the EU going, it gets clear that this can evolve in 5 very different paths. From more or less integration, there are many option sand variations. But when it all comes down to the fact that these different processes are favored by different governments and member states, which means that a common understanding or new consensus needs to be found among the 27 members, what the future should look like. These scenarios might give guidance or some sort of starting point for negotiations but are definitely not the solution and call for more dialogue and discussion between the member states, because in the end they and the European Citizens decide on what EU they want to have. Strictly sticking to the intergovernmental perspective which according to Moravcsik would mean `the assumption of rational state behavior, a liberal theory of national preference formation, and an intergovernmentalist analysis of interstate negotiation.` 39 In the context of the recent integration process in the EU this would entail plenty of intergovernmental bargaining, problems between laws and regulations between the European and national level, as seen in the Eurozone Crisis and not speaking with one voice when it concerns global issues. This has its advantages and disadvantages as already pointed out but if we look at the EU now and the future and world surrounding it, it gets clear that this solution is not viable, as it does not provide neither the EU nor the member states with sufficient political unity in order to satisfy the functional spill- over that consequently followed from the economic cooperation. In order to act effectively and achieve the most success possible cooperation in all other related fields, like the economy, social, monetary, fiscal policies, just to mention a few, is needed.

In order for this to happen a more neo-functionalist or supranational approach would be necessary. As put in the words of Ernst B. Haas

*Political integration is the process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations and political activities toward a new center, whose institutions possess or demand jurisdiction over the pre-existing national states. The end result of a process of political integration is a new political community, superimposed over the pre-existing ones.*

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This would entail the harmonization of all laws and policy fields on the European level, making them more effective, due to spill-over in cooperation now all areas would be covered and guaranteed to improve and maximize efficiency even more. Implementation would be easier, as there would be a clear distinction between national/domestic level and European/supranational level. This development of course also calls for institutional reforms in order to work sufficiently, which in case of the EU would mean transnational lists for the Parliamentary elections, more power to the Parliament in making decisions in all policy areas with the Council as Co-legislator, and at the same time expansion of the policy initiating fields for the Commission. This would require the member states to give up their power in some areas in order to secure a more successful outcome. This is the point where many member states and citizens are sceptic and hesitant and fear a European bureaucracy taking over and feel like the power is slipping out of their hands. Here more clarification is needed on what exactly the process would look like, and it needs to be understandable that after all the EU is just composed of its members, and without its members there would not be an European Union, and in the end of the day the members decide either through the Council or the Parliamentary members the citizens themselves elected and sent to the EU. This would be the option that would make the most sense if the EU wants to be successful in the future and develop and evolve in an even stronger entity.

But as long as this remains uncertain and unclear, member states and people will always be sceptic and feel distant from the EU, as these ideas and processes are hard to grasp and not comprehensively thought out or explained. For this reason, the dialogue and discussion amongst the people but also the member states with very different interests and understandings of the EU are so important ad necessary. Only then can a solution be found that satisfies everyone.

This conclusion can also be drawn from the case study, as two very different countries have a very different perspective on the future of the EU and also a varying understanding of the cooperation process and how it should look like. Which is not bad at all, and totally logic if we take Germany and Hungary, as they entered from very opposing angles into the integration process. Here the 27 members need to be more open to each other and consider the different opinions. This might be especially hard in recent times, with populism on the rise and some governments turning their back on the EU or being very unsatisfied with it.

At the same time, Brexit shows, that as far as the integration process has already come, the European nations are interconnected and depend on each other and need to work together in order to be strong, so a European solution needs to be found. This pressure comes not only from the inside but also from the outside, whether we turn eastwards with the Chinese and Indian rise in economic and military power or the unpredictability of Russia or if we turn westwards with South American countries getting stronger and disunity especially in economic terms with the US, just to mention a few examples. In these turbulent times, a rapidly globalizing and competitive world the EU cannot afford to slow down or stagnate. If the member states do not take this seriously they might risk all the hard work and already achieved success of decades of peace amongst European nations, for their own national interests, the EU as such would fail.

These were just some attempts to argue and try to answer my research question of what the future of the European Union would look like. United States of Europe or back to only economic cooperation? Both are possible and likely to happen, depending on the member states willingness to risk their own interests in order to ensure more success in the future or go with the safe and more powerful direction for the nation states and risk the failure of the EU and with that major economic downturns and insignificance on the global scale. At this point I cannot answer my research question clearly as I think, especially with recent developments both outcomes are possible, but as I argued before the closer cooperation would be the next logical and beneficial step for all the member states and the EU, this would be the more likely outcome of the integration process. At this point there is a crossroad before the EU. The choice of less or more integration depends on the willingness and decision of nation- states. The path to go toward a strong and viable EU with high level of competitiveness needs more, persistent and multiple dialogue amongst member states.
VII. Bibliography

VIII. Acknowledgement

This thesis was my first academic work and it would have not been possible without the many hours of help, consultation, support and remarks of my supervisor Mrs. Eva Hideg. Thank you for reading all the drafts, providing me with helpful material and explaining the structure of such a detailed research on the given topic.

In addition to that I want to thank the two experts on EU matters, Mrs. Erzsébet Kardosné – Kaponyi and Mr. Károly Lóránt for taking their time to answer my case study questions in a detailed and clear way. This enriched my thesis and research in a great sense.
IX. Appendix

1.) Table 1

Summary of results from analysis of 5 scenarios

<table>
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<tr>
<th>Scenarios</th>
<th>Possible impacts on functioning of EU</th>
<th>Member States</th>
<th>Future shaping</th>
<th>Possible changes in Direction of integration</th>
<th>Sharing Benefits</th>
<th>Sharing Losses</th>
<th>Possible consequences for the EU</th>
<th>the Member States</th>
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<tr>
<td><strong>Scenario 1 “Carry-on”</strong></td>
<td>No major changes similar to the current framework of the EU</td>
<td>No major changes either, most of the power stays with member states</td>
<td>No major changes will do lead to stagnation and weakness in comparison to the global competition</td>
<td>No change in any direction, intergovernmental structure with some incentives of the European supranational bodies</td>
<td>Strengthening of the Single Market, but all the already existing problems will prevail</td>
<td>Losses in the fields of more power towards the EU and making it stronger and more competitive</td>
<td>Less power for the EU, dependency on national governments and member states for reforms</td>
<td>Intergovernmental bargaining amongst the member states basis for EU decision-making, big differences and goals amongst the member states, difficult to find consensus</td>
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<td><strong>Scenario 2 “Nothing but the Single Market”</strong></td>
<td>Reducing the power of the EU to economic cooperation, major weakening of the EU</td>
<td>Cooperation amongst the Members on economic basis, remaining policies left for national governments</td>
<td>Weak EU, economic cooperation, due to spill over, needs cooperation in other areas which would be stopped</td>
<td>Intergovernmentalism, only limited supranational power on economic matters, all the other fields based if at all on bilateralism and member states</td>
<td>Economic cooperation would be established as the basis of cooperation and be strengthened</td>
<td>Step back in development and progress of the EU, no political cooperation, EU citizens suffer these consequences</td>
<td>Loss of power in all aspects of cooperation, especially in the political sense, only economic cooperation</td>
<td>Economic cooperation EU based, other fields regulated by bilateral agreements, not beneficial for the Member States even if it means more power for the national governments</td>
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<td><strong>Scenario 3 “Those who want more do more”</strong></td>
<td>Selected cooperation, supervision and cooperation led by the EU</td>
<td>Can decide on which policy fields they want to be involved and on which ones they want to opt-out</td>
<td>Possible solution for the short term, case of disagreements amongst the members this might be an alternative</td>
<td>A mixture of intergovernmentalism and supranationalism, the EU would supervise the optional cooperation but cooperation is based on the member states</td>
<td>Overcoming differences and disagreements is easier with opt-outs for the member states</td>
<td>Not all members cooperate on all policies which makes it complicated</td>
<td>Supervisory role over the various layers of cooperation, steering the various cooperation</td>
<td>Involvement in the fields of common policy and more or less level of integration can be chosen.</td>
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<td>Scenario 4</td>
<td>“Doing less more efficiently”</td>
<td>Less cooperation but more intensive/effective cooperation on remaining policies</td>
<td>Scenario 5</td>
<td>“Doing much more together”</td>
<td>Supranational institution, more power in all policy fields on the European level, Decisions made by the European bodies</td>
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<td>Less cooperation on the EU level, member states can decide more for themselves</td>
<td>Alternative solution if the member states are unwilling to integrate, but still want the EU to be successful</td>
<td>Less intergovernmentalism and supranationalism, the member states do more on their own and the EU is less involved, only in some policies</td>
<td>Less policy fields or areas covered means more effective and focused on the remaining policy areas</td>
<td>Not all policy fields covered, less cooperation, which means losses in many related areas</td>
<td>Less power and less involvement in the policy fields, but effective cooperation in selected policy fields</td>
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Source: Own
2.) Short introduction of experts interviewed

Mr. Károly Lóránt is an economist, planner and forecaster who worked as an expert to representatives of the European Parliament mostly for Danish representatives for many years dealing with socio-economic issues of EU and the small member states. He was general editor of EUWatch made by the group of Independence and Democracy. Before that he worked at the Hungarian Planning Office and ECOSTAT.

Mrs. Erzsébet Kardosné – Kaponyi is an international lawyer and teacher at the Corvinus University of Budapest. Her fields of expertise cover many legal areas but mostly EU relations, EU policies and frameworks as well as European law. She deals with the changes in continental legislation and recent developments in the EU.
3.) Full text of experts’ interview

Questions for the Case Study- Future of the EU

Answers given by Mr. Károly Lóránt

1. What is Hungary’s current role in the EU integration process?

The main role of Hungary today in the European integration process is to keep this process within the realities.

What do we mean by this?

The founding fathers of the European Economic Community, the predecessor of the European Union, signed the Treaty of Rome with the determination “to lay the foundations of an ever closer union among the peoples of Europe”. Many people today think, especially those who call themselves federalists that the ultimate goal of integration is to create a federal or a unified state. However, the creation of a federal or a unified state has certain preconditions.

The European Economic Community worked well, with its member states achieving annual economic growth of 5% between 1957 and 1973, until the outbreak of the oil crisis. Encouraged by success, at the end of the 1960s, EU leaders set out the goal of further develop integration, and entrusted Pierre Werner, Prime Minister of Luxembourg, with the task of working out an interim report on the realization of economic and monetary union in the Community.

Later in the 1970s, two more reports were made, the Marjolin and MacDougal reports, which, based on existing federal and unified states (such as the United States, the Federal Republic of Germany, and France), examined how the central budget should evolve at the various stages of integration; to deal with integration problems.

The MacDougall report, published in 1977, covered this issue in detail. The report suggested that increased integration in the EU and the establishment of a monetary union would require a federal budget of 2-2.5% of GDP in a pre-federal stage, 5-7% at a later stage when monetary union is achieved, and 25% if the EU were to become a full federal union state like the USA, with a much bigger public sector. The report made especially emphasize on the need for redistribution through central public budget between countries of deficit and surplus in the balances of payments on current account.

Later, with the Maastricht Convention, monetary union was implemented without thinking of redistribution. At present, the common budget accounts for only 1% of GDP and net contributors like Germany thinks that even this amount is too much. Following the introduction of the euro, in the less developed countries of Southern Europe, a huge balance of payments deficit was occurred and the Union was divided into the opposite camp of debtors and creditors.

All this was foreseeable, Milton Friedman Nobel Prize-winning economist well before the introduction of the euro in a interview given to the Wall Street Journal has warned to this:
“My considered opinion has long been that the loss outweighs the gain. The potential members of the EMU do not have sufficiently flexible wages and prices, or sufficiently mobile workers, or a sufficiently effective fiscal compensatory mechanism, to serve as a satisfactory substitute for flexible exchange rates.

The likely result is that the euro will exacerbate political tensions by converting divergent shocks that could have been readily accommodated by exchange rate changes into divisive political issues.

Political unity can pave the way for monetary unity. Monetary unity imposed under unfavorable conditions will prove a barrier to the achievement of political unity.”

We are in this stage.

The Marjolin report emphasized another important prerequisite for integration, that “large parts of the population having a feeling of belonging to a union”. The reality is that according to Eurobarometer poll 90% of the population feels that they belong only to their country or first to their country and than to the European Union. Only 6% who say that they belong exclusively to the European Union.

There are many other conditions for a federal state, such as a common language, a common communication space that is missing from the European Union, so there are no conditions for further integration. Indeed, every time a referendum was held on a new convention (such as the European Constitution or the Lisbon Treaty), the population voted against it.

According to Paul De Grauwe who is a full professor at the Faculty of Economics and Applied Economics, Department of Economics, University of Leuven and a regular correspondent of the Financial Times a large free-trade area remains the only feasible option for Europe. “It is an illusion that we can achieve political union in Europe in the near future and if that political union fails to materialise, then in the long term the euro area cannot continue to exist he said to the Belgian daily De Morgen (18 March 2006).

Many factors and politicians could still be cited as evidence that federal or united Europe is unrealistic. What is realistically possible is the cooperation of nation-states, as included in the De Gaulle concept (Fouchet plan).

The result of further federal aspirations can only be a European empire, the name of which is from the former President of the European Commission, Jose Manuel Barroso. But in an empire, the economic and social problems will not be resolved and the centrifugal forces, the exit intentions will be strengthened, and this is the example of Brexit here and now.

In this process, Hungary's role is to highlight the realities and possible solutions, the De Gaulle concept: the cooperation of nation states.

2. Which integration process or direction is favored by Hungary? More intergovernmentalism or supranationalism?

Hungary prefers realities and reality is intergovernmental cooperation.
3. **What are fears of Hungary with regards to the EU integration process?**

What is currently going on is not the integration, but the centralization of power to create a European empire. In this realm, nation states lose their ability to act, the basic tools of economic governance (self-contained monetary and fiscal policy, the possibility of developing domestic industry), but the center (the Commission) assumes no responsibility for solving economic and social problems in member states (see Greece). Moreover, the leadership of the empire cannot be removed by democratic means.

4. **Which scenario of the White Paper would be favored by Hungary, and why?**

- Scenario 1: Carry-on, no major changes to the recent framework
- Scenario 2: Nothing but the Single Market, Cooperation based on economic terms only
- Scenario 3: Those who want do more, Selective cooperation for those who want to be more involved
- Scenario 4: Doing less more efficiently, Reduced cooperation, but the remaining EU policy fields strengthened
- Scenario 5: Doing much more together, more integration in all policy fields, more supranational power for the EU

The white paper is misleading. First, it should have been analyzed why the current situation has evolved, why the British voted in favor of exiting, why the southern European states were indebted, why the European Union is developing much more slowly than the United States. After that, the possible scenarios would have narrowed to the second and, at most, the third scenario. The rest is not physically possible. So it is not about which Hungary to choose, but which one is possible. Hungary, like other countries, wants to maintain its sovereignty over fundamental issues affecting its nation, such as – for instance – immigration.

5. **What is your opinion on the future integration process of the EU?**

The Treaty of Rome outlined a realistic path for integration for Europe, and the European Economic Community developed rapidly and did not generate tensions between its members (e.g. indebtedness). With the Maastricht Treaty and the introduction of the euro, the leadership of the Union has chosen an unrealistic path, resulting in the slow economic growth, the Brexit and break-up of the union to lenders and debtors.

The leadership of the union has set a number of unrealistic goals and made unrealistic decisions. In 2000, for example, the Union set the goal to become the fastest growing region in the world by 2010, but it became the slowest. The leadership of the Union is making unrealistic, unattainable objectives in the field of environmental protection. In Germany, for example, in the name of CO2 reduction, nuclear power plants are being shut down and brown coal power plants are being built instead and so on.
In my opinion, this unrealistic policy will continue as long as the Union does not begin to disintegrate due to the growing internal tension, or will not be able to choose a new leadership which acts according to the economic and social realities.

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Answers given by Mrs. Erzsébet Kardosné - Kaponyi

1. What is Germany’s current role in the EU integration process?
   I think it has a decisive role on the one hand because of its history (French-German tandem) and its economic weight.

2. Which integration process or direction is favored by Germany? More intergovernmentalism or supranationalism?
   Germany has traditionally represented a federalist position (eg Joschka Fischer speech at Humboldt University). Whether this will change in the future will depend on domestic/national political situation. If AfD or similar political parties were to be in majority, this would change direction and could affect the Eurozone as well.

3. What are fears of Germany with regards to the EU integration process?
   Maybe Germany will gain too much influence after Brexit. Anyhow, Germans have an interest in strengthening integration.

4. Which scenario of the White Paper would be favored by Germany, and why?
   - Scenario 1: Carry-on, no major changes to the recent framework
   - Scenario 2: Nothing but the Single Market, Cooperation based on economic terms only
   - Scenario 3: Those who want do more, Selective cooperation for those who want to be more involved
   - Scenario 4: Doing less more efficiently, Reduced cooperation, but the remaining EU policy fields strengthened
   - Scenario 5: Doing much more together, more integration in all policy fields, more supranational power for the EU

5. What is your opinion on the future integration process of the EU?
   If the EU is not able to close its lines and cannot establish a closer unity after the uncertain outcome of Brexit, populist demagogic trends may intensify. This is the biggest threat to integration. There are significant differences in perception, eg. between the EU-15 and the new member states, there are centers and peripherals, and I think that if the peripheries are even more torn, it will have a negative impact on integration.
   The enlargement of the union in 2004 and 2007, 2013 was not consistently value-based; and now the EU is facing the consequences of this.
My view is that long-overdue reforms should be implemented, and the concerns about the rule of law and European values and the principle of the loyalty should be much more rigorous.

All EC/EU treaties are a product of compromise, but none of them are perfect, because much bargaining has always water downed the original plans. As long as each Member State has a veto, it will not change. The solution may be the enhanced cooperation, such as: Eurozone, Schengen area or European Public Prosecutor's Office.