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# The European Union as a Model for Regional Integration

Fraser Cameron  
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## Introduction

While the European Union (EU) has long been the most developed model of regional integration, it was severely shaken by the recent economic crisis, causing increasing doubts about the integration process. The lack of a timely and coherent response to the euro crisis called into question the integrity of the eurozone, whose structural and institutional fault lines have been revealed by the financial crisis. These doubts coincide with dramatic changes in the global economic order involving the relative decline of the EU and United States and the rise of Asia. The likely economic adjustments are already threatening social cohesion and political stability in Europe. The crisis has temporarily weakened the EU's status as a model for regional integration, but as the EU recovers its confidence, as it always has after previous crises, it will continue to be the leading example for other efforts at regional integration.

## The EU Model

Since the early 1950s, the EU has been a pioneer in regional integration. The most important principles underlying the success of the EU project include:

- Visionary politicians, such as Robert Schuman of France and Konrad Adenauer of Germany, who conceived of a new form of politics based on the supranational “community method” rather than the traditional balance-of-power model. Support from the United States was also crucial in the early years.
- Leadership generated by the Franco-German axis. Despite many problems, Paris and Berlin have been and remain the driving force behind European integration.
- The political will to share sovereignty and construct strong, legally based, common institutions to oversee the integration project.
- A consensus approach combined with solidarity and tolerance. The EU approach is based on not isolating any member state if they have a major problem (such as Greece in the most recent crisis), hesitance to move forward with policies until the vast majority of member states are ready, and a willingness to provide significant financial transfers to help poorer member states catch up with the norm.

These four tenets have guided the EU well over the years and enabled the institutions to survive many crises, from French president Charles de Gaulle's “empty chair” tactic of withdrawing French representatives from EU political bodies in protest of moves to introduce qualified majority voting (QMV) to failed referendums on new treaties in a number of member states, including rejection of the Constitutional Treaty by France and the Netherlands in 2005 and the Lisbon Treaty by Ireland in

2008. More recently, the EU has adopted a more flexible approach resulting in a multi-speed Europe with several tiers of integration. For example, not all member states are in the eurozone, or in the Schengen passport-free zone; this arrangement has allowed some of the more Euro-skeptic countries such as the United Kingdom to opt out of certain obligations. Nevertheless, the core tenet of the EU is readiness to share sovereignty and operate through strong common institutions.

## Other Regional Groupings

There have been several attempts to achieve regional integration outside of Europe—including the Association of South East Asian Nations (ASEAN), African Union (AU), Gulf Cooperation Council (GCC), and Mercosur in South America—but they have all failed to achieve anything resembling the progress of the EU. ASEAN is the most advanced of these efforts and regularly sends delegations to Brussels to seek ideas from the EU experience; however, ASEAN remains a strictly inter-governmental body and there is no indication of interest in sovereignty sharing. It is a similar story elsewhere: no other regional body is anywhere near the EU in terms of political or economic cooperation, let alone integration. Indeed, no other grouping has even gotten to first base in terms of the basic requirements of integration, namely dealing with historical reconciliation and developing the necessary political will. There have been innumerable declarations from groupings in Asia, Africa, the Middle East, and South and Central America about the desirability of closer cooperation and even integration, but the record shows that the rhetoric has not been matched by action. Although the EU is also guilty of exaggerated rhetoric, it has steadily moved forward—even if on occasion it seems to take two steps forward, one step back.

As the EU's experience demonstrates, historical reconciliation is a critical element in developing the necessary political will for cooperation and, ultimately, integration. The fundamental basis for the success of the EU is the historical reconciliation between France and Germany, achieved by years of sustained political effort from the leaders of both countries. In stark contrast, there has been no such effort in many other parts of the world where there are ambitions of regional integration. In East Asia, for example, there can be no integration without genuine reconciliation between Japan and China, and Japan and Korea. The East Asia experience is replicated elsewhere with unresolved problems and deep suspicions between, for example, Brazil and Argentina, India and Pakistan, and Saudi Arabia and its neighbours. Only after historical reconciliation can countries proceed gradually along the various steps required to create a regional community such as a free trade area, a customs union, a single market, a single currency, a common passport area, and a common foreign policy.

## The State of the Union

Compared to most other regions of the world, the EU is a haven of peace, prosperity, and security. Following the global economic crisis, however, there are several major challenges facing the EU that, if not tackled with urgency and determination, could threaten the entire European project. Namely, the EU has grown and integrated rapidly without commensurate strengthening of its political and economic institutions. The emerging gap between necessary coordination and institutional capacity in the EU suggests a lesson for other regional groupings if and when they arrive at later stages of the integration process.

The first challenge is increased fiscal coordination amid a worsening economic outlook. The EU needs to cleanse the financial system and follow through on austerity measures introduced by almost all member states. The situation in late summer 2010 is less critical than it appeared in the spring, when many doomsayers were predicting the collapse of the euro and even suggesting the EU might break up. The major risk today is the continuing fragility of the economies of some eurozone member states such as Greece, Spain, and Portugal, and the possibility of renewed speculation in the financial markets. Although there are some positive signs of economic recovery in Europe, many economists continue to warn of a possible “double dip” recession and the likely impact of the ongoing problems of many European banks. While most passed the “stress tests” at the end of July 2010, there was broad agreement that these tests were not as strenuous as they could have been.

The economic troubles of the past few years come amid major, secular shifts of wealth toward Asia. The EU’s share of global GDP declined from 24 percent to 22 percent between 1990 and 2010. In addition to sluggish economic growth compared to emerging markets like Brazil, Russia, India, and China, the EU is losing competitiveness. The European labor force is aging and increasingly prefers leisure to work. There are insufficient resources devoted to innovation. The Lisbon Strategy that sought to make the EU the most competitive region in the world by 2010 was a conspicuous failure. The latest 2020 plan, with its similarly lofty ambitions, is likely to fare no better. Rising energy and commodity prices have a negative impact on growth in Europe. Going forward, it is difficult to see how Europe, with its largely immobile and aging population, can compete with the labor markets of Asia, which are unburdened by health or unemployment costs. The Asian development model not only poses challenges to the Anglo-Saxon capitalist model but also to the creation of a reformed, rules-based system of global governance. Few Asian nations are willing to accept EU and U.S. pressure on social, labor, and environmental issues, arguing that they would be disadvantaged at a critical stage in their development.

The response of Europe to these troubling circumstances should be obvious: the eurozone will be safe only when discipline is matched by solidarity between the member states of the zone, a very serious challenge for the balance between Germany and the other eurozone countries. A single European voice is needed in all forums of global economic governance, including discussions on climate change and energy security. But this will not be easy to achieve given the continuing attachment most EU member states have to their own seats or shared constituencies in the international financial institutions. The Copenhagen climate change conference in December 2009 also revealed the EU’s

weakness as an international actor. Though it reached a consensus and promoted climate change to the top of the global agenda, the EU was unable to assert itself at the most critical juncture.

The second challenge is resolving the EU's long-standing identity crisis. Member states have never been able to agree on the *finalité politique*, making the European experiment a journey to an unknown destination. Academics have described the debate as one between widening and deepening. On the one hand, the EU has progressed from a customs union to a single market and a eurozone of currently sixteen (soon seventeen) countries; on the other hand, it has gradually extended its membership from six to twenty-seven countries—with more to join—covering almost the whole continent. The EU, however, has proved unable to strengthen its political institutions at a pace and with a depth consistent with the needs of its integration, as well as the number and heterogeneity of its membership. Faced with widespread public skepticism about the EU, European capitals remain attached to national sovereignty and reluctant to give great powers to Brussels. Furthermore, France and Germany remain divided on the issue of economic governance, and questions linger over the EU's final eastern borders.

Many hoped that the Lisbon Treaty would provide the impetus for a further deepening of the EU, but the long struggle to achieve ratification of the treaty and the shattering impact of the financial crisis has revealed little appetite for further institutional changes. As noted above, there is little public appetite for “more Europe,” and national politicians seem increasingly reluctant to make the case for a strong EU. Germany is the most noticeable example—previously the strongest champion of closer integration, it has moved into the skeptic camp mainly due to public doubts about the euro, reflected also in judgments of the supreme court. There are, however, some experts and politicians, such as Nicolas Sarkozy, president of France, and Guy Verhofstad, the former Belgian prime minister and current leader of the Liberals in the European Parliament, who argue that the best response to the crisis is indeed a radical step forward toward a form of economic governance in Europe. They believe that the EU is severely handicapped by the eurozone's weak central institutions and the insufficient regulation of its financial and energy markets. Unfortunately, Sarkozy and Verhofstad's recommendations have met with a lukewarm response from Germany and other member states.

## Validity of the EU Model

There is little doubt that the recent crisis has affected the EU as a model for regional integration, but the fallout will be temporary. Historically, the EU has rebounded from previous crises and often leveraged adversity to move to the next stage of integration: the failed plan for a European defense community in 1954 led to the creation of the European Economic Community three years later; the empty chair crisis of 1965 led to de facto acceptance of QMV and later de jure acceptance as a result of the 1986 Single European Act; the currency tribulations of the 1980s led to the European Monetary System and ultimately the euro; and the collapse of communism in Europe led to agreement on establishing a common foreign and security policy and the widest enlargement in the EU's history.

With regional blocs dominating the globalized economic and financial system, EU member states acting alone will be unable to achieve the results that could be gained through a 500-million-strong bloc. Already the United States is pressing for a reduced number of EU seats in the Group of 20

(G20) and global financial institutions. Over time these changes are likely to give a further impulse to the integration process. Meanwhile, a “multi-speed Europe” is inevitable for the foreseeable future, with a strengthened eurozone increasing the gap between the EU’s hard core and its outer periphery.

How do other regions view the EU post-crisis? While there has been some unfavorable media attention, governments and other regional bodies have retained faith in the union. Significantly, neither China nor Russia attempted to sell their substantial holdings of euros. Between April and August 2010, the euro fell from over \$1.40 to \$1.15 before recovering to settle above \$1.30. To most European exporters this is a reasonable exchange rate—at \$1.50 they were finding it difficult to sell abroad.

The EU’s problems did not affect the plans of other regional groupings to move forward with co-operation. ASEAN, for example, went ahead with proposals to establish an ambassadorial steering committee, similar to the one in Brussels, which is known as Coreper. Japan, China, and Korea have intensified their trilateral ministerial meetings with a view to establishing closer East Asian cooperation. While the GCC has postponed plans for monetary cooperation, this decision resulted more from regional rivalries than any knock-on effect from the problems of the eurozone.

What are the lessons for other regional integration efforts? There is much that can be learned from the EU and its responses to various crises, including that of spring 2010. At the same time, the EU is a *sui generis* organization and how its members deal with a crisis may not be relevant to other less-advanced groupings. For example, if one were to take monetary union as an objective, then it would seem clear in hindsight that a more integrated political and economic structure would be necessary to monitor public debt and help prevent speculation. But no other grouping is anywhere close to a customs union or single market, let alone a common currency.

Integration is a difficult process and there will invariably be setbacks and crises. Nevertheless, in the EU case, the Cassandras are nearly always proven wrong. The EU has an excellent record of recovering from crises and moving ahead even stronger than before due to firm political will. The resounding lesson of the EU model, then, is the necessity of genuine investment by member states in the goal of regional integration. While not always politically expedient, national governments would be wise to put the long-term goal of cooperation above more immediate domestic priorities. More importantly, if integration is to succeed, governments and publics should believe that it is in their vital national interest. Without such commitment, regional groupings will crumble at the first bump in the long road to integration.

## About the Author

**Fraser Cameron** is a senior adviser to the European Policy Centre in Brussels and adjunct professor at the Hertie School of Governance in Berlin.