Towards the European integration model perspectives
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Abstract. European integration within the booming European Union with its original as well as emerging members became a prominent example of sustainable economic growth, employment and social and ecologic development. However, conditions throughout the EU are not the same everywhere; moreover, they change drastically due to demographic processes and migration, which have a huge impact on the social structures and social policy, correspondingly.

During the year 2011 it became clear that the last financial and economic crisis not simply had a negative impact on dynamics of economic development of EU, but revealed deep contradictions in European integration model. These processes (quite often accompanied by erroneous anti-recessionary steps of the national governments of EU countries) led to the aggravation of the whole range of economic and social problems in the European states. For instance, expected measures including rigid economy of the budgetary expenses have a boomerang effect, i.e. cause reduction of consumer demand and investment activity; therefore growth rates of gross domestic product slow down as well. As a result, the budgetary incomes continue to shrink while sufficient deficiencies and the related new loans remain. Finally, Greece and other problem states get to the “vicious circle”.

We aim to discuss some issues concerning the European integration project and its reasonability: to define the degree of national EU member states’ responsibility in regard to their national economic and social policy, to assess possibilities of restriction of their sovereignty within EU, to analyze peripheral relations’ overcoming within EU when Germany and some of the most successful member countries tend to be “locomotives of economic growth” and the centers of key economic decision-making which are only applied on other states of EU.

Keywords: Europe, European Union, European integration, crisis, economic growth, national states.

JEL Codes: P44, P47, P48, P52.

1. Introduction

There is no doubt that the European Union as a fruit of European integration has made significant contributions to prosperity, democracy and security in Europe. The EU’s enlargement policy has been one of its most successful, serving as a powerful instrument of foreign policy contributing to the stabilization of political and economic development in the acceding countries (Atilgan, Klein 2006). However, since the Southern and Eastern European enlargement of the EU in 2004, there has been talk of a political and institutional “overexpansion” of the EU, which aggravated when the negative consequences of the economic crisis became clear.

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As EU already contains 27 member states there is a reasonable fear that further augmentation or even “non-compression” could lead to Europe’s inability to act effectively.

1.1. European integration model overview

Economic integration is a process aiming at abolishing discrimination between domestic and foreign goods, services and factors of production. Typically this process runs through four stages: free trade area, customs union, common market and economic and monetary union. A free trade area involves the removal of tariffs between member countries on their reciprocal trade in goods and services, and the maintenance of the respective national tariffs towards non-member countries. When in addition to the liberalization of trade among member countries, these levy a common external tariff (CET) against third countries, a customs union is formed. A common market possesses all the elements of a customs union plus the free movement of the factors of production among the member countries. Finally, a common market in which the major micro- and macro-economic policies of the member states are harmonized under supranational control and in which a single currency is adopted, leads to an economic and monetary union (Rueda-Junquera 2006).

According to Article 49 of the Treaty on the European Union (TEU), “Any European State which respects the principles set out in Article 6(1) may apply to become a member of the Union.”

A prerequisite for starting negotiations is the degree of development of the candidate country. Any European state interested in joining the EU must initiate the appropriate far-reaching reforms. The conditions for membership are laid down in the Copenhagen Criteria, which require the “stability of institutions guaranteeing democracy, the rule of law, human rights and respect and protection of minorities; the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union; acceptance of the Community acquis: ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.” Adopting the “acquis communautaire” thus means accepting the total body of EU law created thus far.

Not only the common legal system has supported integration efforts in Europe, but also the establishment of common institutions endowed with a supranational decision-making power, a clear mandate and a certain amount of automatically available financial resources. These institutions have helped the European integration scheme to pursue clearly identified regional interests rather than the sometimes conflicting interests of different Member States.

Common institutions have acquired a supranational nature thanks to the partial transfer of sovereignty from Member States to them, making possible that these institutions have operated appropriately. Both management and decision-making powers have been transferred to these institutions, in such a way that most of their actions have binding character on the Member States. Therefore, operating common institutions has been a shared sovereignty exercise. This fact has made these institutions to play an essential role in strengthening the integration process, since their operation has allowed the consolidation of the idea of supranationality.

The transfer of sovereignty, as well as the common European law, has not been uniform in all the areas, but still very close (fig. 1). While in some of them it has been far-reaching (e.g. in agricultural and monetary matters), in others it has been practically non-existent (e.g. in taxation and social issues). Institutions have had their scope limited to those powers assigned to them by the Treaty on EU or derived from its implementation (Rueda-Junquera 2006).
2. Urgent problems of the European integration model

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 (Cameron 2010).

The EU’s interests extend far beyond its own ability to influence events, since Europe is directly affected by foreign crises and conflicts as well as by disruptions and blockades in trade and in the supply of raw materials. From a geopolitical perspective, Europe lies in a sensitive and turbulent neighbourhood. In order to better confront the current dangers, the EU’s security strategy depends on an “effective multilateral system”, strengthened by the integration of neighbouring states (Atilgan, Klein 2006).

The problem is, that while close cooperation remains the main tool of economic growth for the European states, there are certain limits of its enlargement. Already in 2006-2007, just before the crisis, it became obvious that the EU’s instrument of accession as an all-purpose solution for managing crises, promoting democracy and furthering economic integration has exhausted.

Thus, we do not consider further enlargement on the scale of multiple states as a possible option, and new integration models creation has to be the main focus of our study.

2.1. “Core” and “less developed” economies coordination

The first EU challenge is increased fiscal coordination amid a worsening economic outlook (Cameron 2006). GDP rate slowed down or even became negative after 2008 (fig. 2 and 3).
The EU needs to cleanse the financial system and follow through on austerity measures introduced by almost all member states. 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 on 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 political identity issues aggravated the economic crisis. Despite the EU has progressed from a customs union to a single market and a eurozone and gradually extended its membership, it 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.

Some authors see the reason in smaller-scale regional integration processes suppression (Cameron 2010). It becomes apparent that while the EU is strongly pledging its support to open regionalism among developing countries and has embarked on bi-regional cooperation and integration agreements building on this regional integration process, the EU support can be a double-edge sword. In seeking to strengthen regionalism, the EU ay also put regional integration processes under unwarranted pressures. The following section elaborates on the more pro-active attitude of the EU to promote or interfere (depending on the perspective) with the regional integration of developing countries.
3. European integration model prospects

We found out the impossibility of further EU augmentation. But still there is a need in strong cooperation between the member countries. Starting with this facts, other forms of integration other than full membership must serve to complement enlargement. The goal is to develop models that lie in between the European neighbourhood policy and full membership, that are well suited for states that either cannot or do not want to join the EU in the foreseeable future.

With such an approach, the varying stages of development of different countries can be accommodated, and at the same time the EU’s goal of caring for its neighbours’ security and stability can be fulfilled. For example, the model EEA+ (European Economic Area+) envisions the broadening of cooperation in trade and political economy. Members of the EEA+ contribute significantly to the common programs that impact the single market. The extent of their contribution is determined by way of an annually adjusted proportionality factor. The method of calculation used for third states is fixed in the various association and cooperation treaties. Third states making a financial contribution to the different programs are entitled to participate in the arrangements like the member states. While not obliged to pay into the
common EU budget, the EEA states must contribute to the economic and social cohesion of the European economic area as outlined in the agreement of May 1, 2004.

The history of the EU shows that crisis often—but not always—leads to increased integration (McNamara 2010). Crisis alone will not produce results unless there is the political will and creativity to respond with decisive innovation. From the initial establishment of the European Coal and Steel Community in response to the challenges of postwar reconstruction to the single-market innovations of the 1980s, examples abound of the ability of political elites to seize crisis for policy innovation. Even so, long periods of stagnation in political, economic, social, and security arenas have persisted even in the face of serious dysfunction. In the early years of the EU, the so-called empty chair crisis blocked movement on needed decision-making reform for years. A long period of economic stagflation and hard times in the 1970s brought little in the way of policy integration.

4. Conclusion

Today certainly represents a crisis push moment. Yet despite some limited EU capacity building, there has been a striking lack of coordinated political leadership across the European capitals faced with market pressures. If anything, the zeitgeist favors political entrepreneurs whipping up anti-EU feelings as austerity programs begin to bite, rather than pushing for further integration.

5. References


