

Commission's White Paper

White Paper on the future of Europe

María Abascal / Matías Cabrera / Miguel Jiménez

Five scenarios that clarify the debate but avoid discussing the future of the euro area

Yesterday, the European Commission presented its White Paper on the future of Europe. This was requested by the European Council in 2015 when it approved the conclusions of the Five Presidents (5P) report, and will be discussed at the Rome Summit on March 25th. The report draws five different scenarios (business as usual, retreat towards a pure single market, a variable geometry union, a more efficient union, and a much deeper union), though it refrains from making concrete proposals, and aims only at a broad discussion on the course to follow. The document focuses on the course of the EU27 rather than on the future of the eurozone (the main topic of the 5P Report, to be dealt with later by the Commission), though it is useful as it clarifies the debate, draws clear pathways to choose, and introduces the debate on what exactly the EU27 should or should not do.

In June 2015 the 5P Report outlined the path to deepen the EMU. In order to prepare the transition, the Commission was set to prepare a White Paper in the spring of 2017. This comes at turbulent times with the uprisings of Eurosceptic movements within the EU, the Brexit process about to start, the emergence of foreign administrations with different priorities, and the possible re-emergence of protectionism. Against this background President Juncker presented a white paper sketching alternative paths the EU could follow by in its evolution during the next decade.

Juncker was clear about his objectives: clarify what the EU can and cannot do. He argues that Europe alone cannot solve most of the citizens' problems and national governments should step up to do their part, or give the EU more tools to deal with the challenges. Juncker argues that the question of "more Europe or less Europe" is not the right approach. Instead, one could think of focusing on those issues in which the EU can make a difference. Closing the gap between what is promised and what is delivered is the real challenge. In this context, the white paper presents five alternatives for the future, depending on the EU's choices. In these scenarios the aim is to describe what the EU27 will be like in 2025, which is the benchmark horizon.

The alternatives

The document presents scenarios on how the EU could evolve in the future, allowing for a widespread spectrum of alternatives. These are neither exhaustive nor exclusive, i.e. we could pursue a path combining options three and four. They range from reducing the EU interference in one extreme, to pushing further on the integration process on the other (with a status quo alternative).

Particularly, the paper outlines five different alternatives for the future of the EU27, without officially signalling a preference or a commitment with one of them (though clearly the second option -of reversion- is the less preferred one).

Figure 1

White Paper's Alternatives



Note: Symbols reflect changes from current integration path.

Note: Multi-speed EU

Source: BBVA Research

1) Carrying on

The EU would stick to its current course by implementing the ongoing reform agenda and the EU27 Bratislava Declaration from 2016. Under this alternative, the speed of the decision-making process would depend on Member States overcoming their opposing views on different issues. Changes would be incremental. Financial supervision would be strengthened, and the EU would keep pushing to develop a Capital Markets Union, fostering job creation, growth and investment. There would be changes to improve the single currency. Cooperation would be enhanced in areas such as the fight against terrorism, defence and foreign policy and the control of external borders. The capacity to close the gap between promises and expectations would depend on whether there is a collective resolve to deliver jointly among EU members. This would be a business as usual scenario.

2) Nothing but the single market

It assumes that the EU27 cannot find a common ground in many policy areas, so that it would shift its focus only to key issues of the single market (leaving behind areas such as migration, security or defence). Bilateral agreements would be the base of cooperation. This could be coupled with a reduction in the EU regulatory burden, which in turn could end up leading to persistent differences among Member States. This will ultimately reduce and limit the EU27 to its economic dimension. In this setting, decisions are easier to understand by citizens (closing the gap between promises and expectations), but collective decisions are reduced to a minimum, relying more on bilateralism. There would no common EU27 voice on issues such as climate change, development aid, fighting tax evasion or promoting global trade.

3) Those who want more do more

This is the scenario of a multispeed Europe, that has been often proposed in the past. Several “coalitions of the willing” would emerge on specific policy areas, such as defence, internal security (police, intelligence services, money laundering), taxation (homogeneous tax rules, fight against tax evasion) or social matters. Member States retain the right to join later to these processes. Relations with third countries are managed at the EU level. In this alternative, the gap between promise and delivery will be reduced faster for those Members that decide to do more. On the other hand, the decision-making process could become more complex due to the multiplicity of speeds.

4) Doing less more efficiently

In this scenario there is a consensus on a reduced number of priority areas where the EU27 can act much quicker and more decisively, as it does now on issues such as competition policy or banking supervision. The EU would need to be given additional powers on these areas to achieve its objective efficiently, while in other areas the EU27 would do less. Examples cited of potential further cooperation are innovation, trade, security,

migration, management of borders, defence, progress on single market, investment projects for decarbonisation or digitisation. For these areas, there would be greater enforcement powers at EU level. In contrast, the EU27 would stop acting on regional development, public health, or parts of employment and social policy not directly related to the single market, while state aid, consumer protection, the environment and health and safety at work would be delegated to national authorities. Once there is agreement on the key areas to focus (which is a challenging exercise), the gap between promises and delivery would be narrowed given the clarity on the EU responsibilities and the increase in efficiency.

5) Doing much more together

Under this scenario Member States decide to share more power, resources and decision-making across the board, as it is felt that neither the EU27 as it is nor individual countries can face today's challenges. Eventually Europe would end up speaking as one in the international fora, the EU Parliament has a final say on trade, defence and security, a European Defence Union is created, and the EU27 takes a strengthened role in leading the fight against climate change or humanitarian aid. On migration, there is also a joint approach, while the single market is deepened on areas such as energy, digital and services. In the euro area, there is much greater coordination on fiscal, social and taxation matters, and supervision of financial services. Under this scenario, the gap between expectations and delivery is closed due to the enhanced attributes of the EU. Nevertheless, this could come at the cost of further alienating the sceptics with the EU. The document does not mention, however, the completion of the banking union or the road towards a fiscal union, topics which were covered in the 5P report.

Next steps

The paper will be discussed at the Rome Council summit that will take place on March 25th, which marks the 60th anniversary of the Treaty of Rome. The Commission intends to continue this debate with subsequent documents on: the social dimension of Europe, deepening EMU on the basis on the 5P report, harnessing globalisation, the future of Europe's defence and the future of EU finances.

Assessment

The document presents a varied landscape of very different options of what to do with Europe, recognising that the context in the past few years has been very difficult, and that there are many criticisms to "Brussels" (the usual scapegoat). The language and description of the alternatives is fresh and straightforward, and helps to start a debate on what the EU27 should do or not do, without clearly signalling one preferred option. However, it refrains from entering the debate of what to do with the euro area, and therefore does not enter the debate on banking and fiscal union. This may be understandable given the political context of a number of important elections in key EU countries.

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