

# POLICY BRIEF

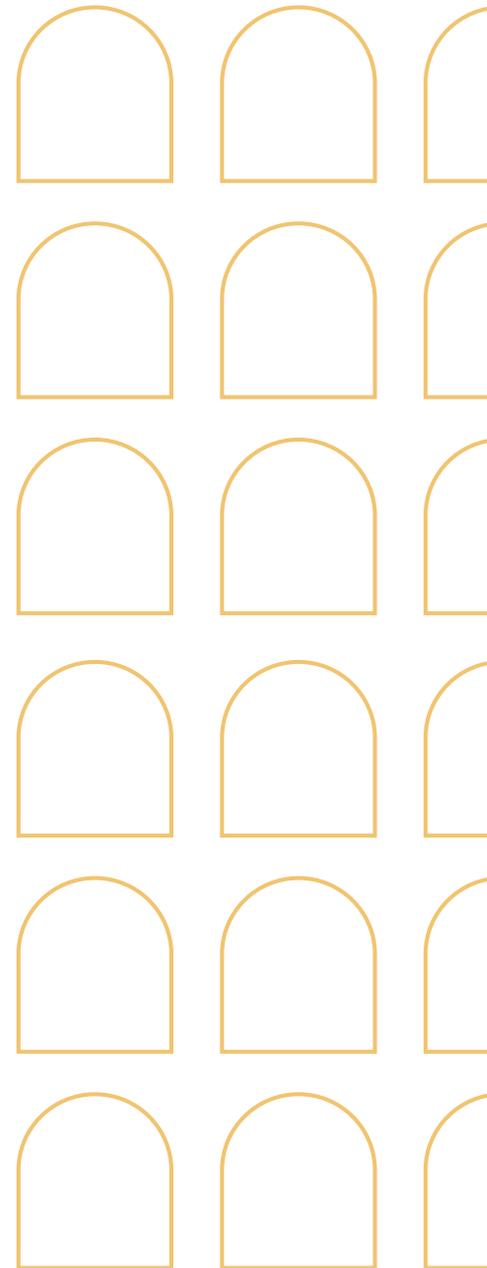
## Integrating Diversity in the European Union (InDivEU)

### European Landscapes 2035: four scenarios for internal differentiation

#### What is internal differentiation?

*Internal differentiation* can be defined as the selective limitation of the validity of international legal rules to a subset of the EU member states. It thus represents an alternative to (further) uniform integration on the one hand and a uniform status quo or uniform disintegration on the other hand.

Internal differentiation is a constitutive and common feature of the EU and comes in many forms. Differentiations *within EU law* (formal opt-outs, enhanced cooperations, differentiated regimes, and other exceptions) currently make up 5.7 per cent of all opportunities in Treaty articles and 2.6 per cent of all opportunities in secondary legislation, affecting key policy areas such as the Economic and Monetary Union (EMU), the Area of Freedom, Security and Justice (AFSJ), and the Common Foreign and Security Policy (CFSP). Differentiations *outside of EU law* encompass a host of bilateral and multilateral agreements and organisations, including important initiatives such as the Organisation for Joint Armament Cooperation (OCCAR), the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG), and the European Stability Mechanism (2012). Such differentiations



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may *multi-speed* and temporary or *multi-end* and permanent, *unidirectional* or *bidirectional*, and generate *multi-tier* or *multi-menu* patterns. Finally, the purposes and outcomes of formal opt-outs can be partly replicated through the use of alternative forms of flexibility, including flexible implementation, executive discretion, experimentalist governance, the agreement of more flexible commitments, and non-compliance.

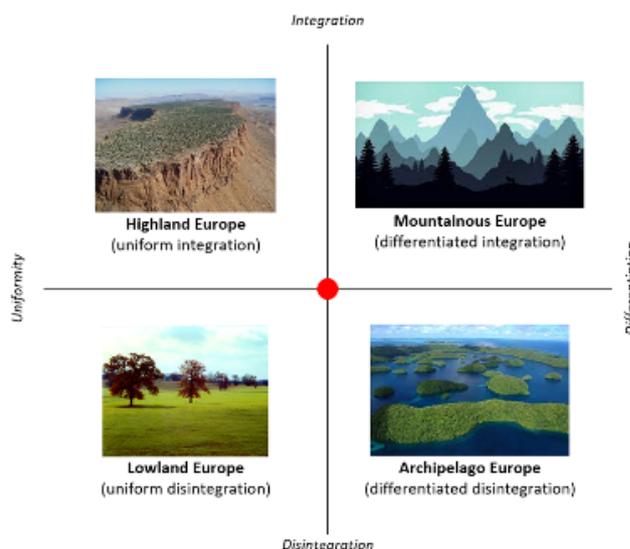
In light of the growing heterogeneity of EU member states in terms of preferences, mutual dependence, and capacities under the constraints of unanimous decision-making rules, differentiated integration has recently become the object of much scholarly and political interest. It offers a promising way to reconcile the pursuit of further integration with the accommodation of vital national interests, but also entails many functional, normative, and feasibility problems.

## The scenario set: European landscapes 2035

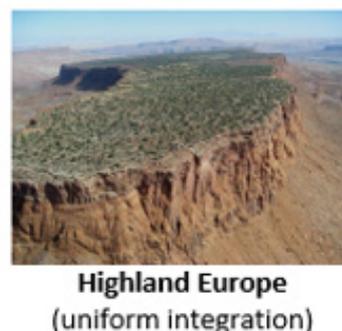
The present paper contributes to these debates on differentiation and on the future of the European Union by building and outlining four narrative scenarios on the future use of internal differentiation in the European Union by 2035. The scenarios are developed on the foundations of an in-depth analysis of the relevant scientific literature and empirical evidence on scenario-planning, long-term and short-term future trends ('horizon scanning'), European integration, and differentiated integration and flexibility carried out in the framework of the InDivEU research project. By visualizing four memorable, challenging, plausible, and balanced outcomes of the interplay between alternative choices and external pressures, the exercise offers to policymakers, experts, and citizens a useful tool to think about the future of European integration, stimulate an informed debate on desirable visions, threats, opportunities, and strategic choices, and support the design the appropriate institutional, legal, and policy solutions.

The key elements of the scenario set are depicted in the figure below. The status quo, represented by the red dot, is an EU with 27 member states characterized by a high degree of integration and a medium level of differentiation. In contrast, the four scenarios depict the possible outcome of future variations in its level of integration and differentiation: (1) 'highland Europe', characterized by uniform integration; (2) 'mountainous Europe', characterized by differentiated integration; (3) 'lowland Europe', characterized by uniform disintegration; and (4) 'ar-

chipelago Europe', characterized by differentiated disintegration. Although actual developments will inevitably diverge to a lesser or greater extent from those predicted in the proposed scenarios, which represent just four individual points in a large range of plausible variation, they are likely to move the EU in the direction of one of these four alternatives. For each scenario, a creative narration of its key expected outcomes and potential strengths and weaknesses is presented.



### Scenario 1: highland Europe (uniform integration)



On 9 May 2035, the President of the European Commission sits in the presidential dais on Place des Palais in Brussels, watching the traditional annual parade for Europe Day. With a smile, she surveys the units marching below her, the elderly crowds cheering them on from the sidelines, and the dignitaries sitting beside her: her 12 Commissioners, 23 heads of government, and the chairpersons of other important EU and national institutions. The perfect embodiment of a 'United Europe moving forward', her successful *Spitzenkandidatin* slogan in the 2034 European Parliament elections: a highly integrated and confident polity able to take

swift decisions, speak with one voice on the world stage, and enjoy the benefits of its uniform common policies. Who would have thought it possible in 2020?

As the Cyberdefence Command projects in the air a hologram demonstration of its capabilities, her mind drifts back to the tumultuous events of the past two decades. During the early 2020s, further uniform integration had seemed unlikely. The 2021 EU budget had greatly expanded the theoretical scope for policy coordination, but subsequent years had been marked by increasingly bitter disputes between contributor and recipient countries, fiscal federalists and their opponents, advocates of strict or flexible surveillance of national policies, and European and national institutions. The EMU had continued deepening, but the gap between insiders and outsiders had widened and only one additional country had adopted the Euro. Some ambitious integration initiatives in the fields of interior affairs and defence had been proposed but, due to a resolute opposition from many countries, largely implemented in an *à la carte* fashion outside of the EU framework. Finally, any reform of the procedural and substantive provisions of the Treaties had been blocked by national vetoes and the fear of referendums. The impact of the 2027 global financial crisis had threatened to lead to a collapse of the Euro area and of the single market, as panic had enveloped financial markets and a major country had suddenly reintroduced a national currency and capital controls. Faced with this existential threat, national governments had temporarily put aside their differences and initiated a wide-ranging set of reforms, subsequently known as the 'third wave of European integration'. The chaotic measures and practices developed during the emergency had later been formalized by the 2030 Constitutional Convention, which had decreed a large expansion of EU competences, a dominant role of Council and Parliament in taking political decisions (by Qualified Majority Vote) and revising the Treaties (by Superqualified Majority Vote), and a streamlined European Commission supervising their implementation. The offer of side-payments and compensatory mechanisms had not been sufficient to convince all member states: a stalemate had been avoided by allowing four of them to exchange their EU membership for 'special partnerships' granting them full access to the single market, substantial fiscal transfers, and permanent consultation and veto powers over major changes pertaining their relationship with the EU. The remaining 23 member states, however, had been able to rapidly proceed with the integration of key aspects of their policy-making, thanks to the expectation of large functional

benefits, a combination of incentives and threats from the largest countries, and a Europhile conjuncture among national governments and public opinions.

As the dancing 'Erasmus youth' section drives by on loud sound system trucks, the President proudly reflects on what has been achieved so far. The negotiations on the 2035 budget have been concluded, raising the revenue ceiling at 3 per cent of GNP. All countries are now subjected to the reinforced system of European Economic Governance and only one of them is still resisting the adoption of the Euro. Frontex has virtually closed off the external borders of the Union, overseeing a swift expulsion of most external migrants to a network of relocation camps and internally redistributing a minority of them according to national needs and preferences. The European Health Union is supporting the rise of European champions in pharma research and commercialization. All countries take part in the European Defence Union, although five of them restrict their participation to financial support and non-combat missions. And the Commissioner for Foreign Affairs has effectively represented common EU positions in many international forums, most notably in the eco-tariffs conflict at the WTO and in the trilateral talks on Nigerian reconstruction.

A sudden commotion breaks out in Rue Belliard, where the first brigade of the European Defence Forces is marching. 'No blood for metals', 'Where are our savings', 'Subsidiarity now', 'Down with fortress Europe', and 'Président dégage!', rival groups of protesters can be heard chanting. The President sighs. Despite their achievements, not everyone is happy with recent EU policies. Living standards between countries have tended to converge, but at the price of ever-increasing internal migration and fiscal transfers. The long-standing conflict on fiscal policy has softened with the post-2031 economic boom, but both small savers' and anti-austerity parties have increased their support in the latest round of general elections. The recent deployment of supranational EU troops has proven politically controversial and operationally ineffective, leading to criticism for both their involvement in the African 'rare earth wars' and their inaction in the Black Sea crisis. Finally, the politicization of European policy-making has undermined hard Euroscepticism but has also weakened the entrenchment of EU norms: a strengthening of 'states' rights' forces in the next round of general elections may well lead to a re-trenchment of many of her signature policy planks. 'That's life in the "highland Europe" of uniform integration', she whispers to herself.

## Scenario 2: mountainous Europe (differentiated integration)



**Mountainous Europe**  
(differentiated integration)

On 9 May 2035, the President of the European Council is sitting at his desk in the Europa building in Brussels, skimming through his agenda for the next week: EU27 European Council, EU15 Eurogroup, EU9 Harmonized Fiscal Area, EU5 Integrated Army Treaty, European Stability Mechanism Board, Italo-Romanian Partnership, Broad European Economic Area Council, EU-UK Partnership Council... 'EU governance has certainly got more complicated', he thinks, looking up at the oil paintings of his predecessors. 'But look at what it has allowed us to achieve!' Indeed, EU membership has remained stable at 27, albeit with one accession and one withdrawal, and the overall degree of integration has substantially increased, albeit in a very differentiated fashion and with some local setbacks.

'The gamble of EU leaders to bet on differentiation and flexibility seems to have paid off', he muses, looking back at the events of the past two decades. The controversial institutional reforms of 2024 had encouraged the use of the enhanced cooperation procedure by removing the minimum threshold of 9 members, allowing their creation beyond the scope of EU competences, foreseeing separate but coordinated budgets and institutions (e.g. ad hoc Council formations) for each 'club', and introducing a negotiated right to exit from them. In the field of the Economic and Monetary Union, the suspension of the Stability and Growth Pact had never been revoked and the reforms of 2025 had introduced the possibility of 'managed temporary realignments' of national prices to correct serious macroeconomic imbalances. After the 2029 global financial crisis, this had led to the switch of 5 of the 19 Euro countries to devalued 'national Euros', but four of them had already reconverted and three other countries had joined, bringing the current size of the Euro area up to 21. In turn, a core of nine countries had launched an enhanced cooperation on fiscal policies, devolving the setting and surveillance of

revenue and expenditure targets to a joint ministerial council. In field of defence, the framework of PESCO had been used to develop a range of overlapping programmes: some of them had led to important extensive (such as the 25-country joint armament programme) or intensive (such as the 5-country joint brigades programme) progress. In other fields, groups of countries had developed important sectoral initiatives, such as the Unified Patent Court (25 countries), the Unified Asylum System (15 countries), and the Zero Carbon 2040 initiative (9 countries). The EU budget had gradually been wound down to 1.5 per cent of GNI, but an additional 0.5 per cent of voluntary national contributions supported the various differentiated initiatives. The EU Treaties now included 15 formal opt-outs, but material opt-ins were fairly frequent. Finally, non-EU countries had informally been allowed (reduced) voting rights in some agencies and programmes, a practice which had been struck down by the Court of Justice in 2032 but explicitly added to the Treaties a year later.

The videophone blinks: 'The Coordinator of the Enhanced Cohesion Initiative on line 1', says an automated voice. 'Tell her that I am out of office, Siri', the President answers, as his mood sours. The ten poorest countries of the Union have been attempting for six years to set up an enhanced cooperation to increase cross-national fiscal transfers, but the project has never taken off due to the lack of interest of richer countries. And that is far from the only challenge confronting the EU in 2035. While membership in the various differentiated initiatives remains open to all EU members, laggard countries bitterly complain about their diminished political influence, capacity to extract policy and financial concessions, and negative externalities; more worryingly, they increasingly resort to retaliatory measures in uniformly integrated areas, such as 'temporary' border controls on hauliers, national taxes and provisions targeting EU citizens, or lack of cooperation in Dublin transfers and police matters. The geographical reach of many policies is functionally suboptimal and their administration costs excessive. Negotiations on the withdrawal of countries from any club, particularly the Euro area, are fraught with technical and political difficulties. In the field of foreign policy, three competing enhanced cooperations have emerged, the first pursuing a pro-American, the second a pro-Chinese, and the third a neutral stance. Finally, the trust in supranational institutions has decreased, leading to more intransigent national stances and rising Federalist movements in poorer countries. 'Well, that's life in the "mountainous Europe" of differentiated integration', he cries out.

### Scenario 3: lowland Europe (uniform disintegration)



**Lowland Europe**  
(uniform disintegration)

On 8 May 2035, the Commissioner for the Internal Market is standing at the podium of the Berlaymont Press Room in Brussels, delivering the traditional annual address to the officials of her Directorate-General. The topic: a balance-sheet of the past 15 years of European integration.

‘As you all know, the 2020s were a harrowing time for the EU’, she starts. The 2021–22 economic recovery had been short-lived, giving way to a persistent depression. Free movement in the Schengen area had foundered due to the de facto re-establishment of permanent border controls to restrict the flows of new COVID-19 variants and migrants. Eurosceptic parties had won national elections in key member states. Finally, the 2026 sovereign debt crisis and the subsequent constitutional rulings had led to the unthinkable: the German decision to withdraw from the Euro area, rapidly followed by its dissolution, the reestablishment of national currencies by all 19 members, and a new loose system of monetary coordination through the European Monetary System II and bilateral exchange rate arrangements.

‘Nevertheless, our predecessors showed foresight and managed to save and strengthen the core of the European project: its Single Market’, she continues. The ‘reforms of 2028’ had decreed a retrenchment of EU formal competences and regulatory intervention in the fields affecting politically sensitive core state powers (constitutional provisions; monetary and fiscal policy; internal security; defence and foreign affairs), a cut of EU revenues to 1 per cent of GNI, and a renewed focus on the removal of market barriers. After much wrangling, the effectiveness of the Single Market had been re-established, with lower standards on state aid and the free movement of people but vigorous progress in the integration of legal and regulatory standards, infrastructural networks, and

services. Thanks to the post-2027 (and ongoing) long economic boom, growth and internal trade had blossomed despite the exchange rate and regulatory frictions and EU markets had again become attractive for external partners. Five advantageous comprehensive trade agreements had been ratified, with seven more currently in negotiation. The ‘Brussels effect’, the unilateral alignment of producers to EU standards, had also steadily grown. The size of the EU had grown to 30 members after the incorporation of two EFTA and one Balkan countries. Finally, some new uniform initiatives aimed at increased functional benefits in non-trade-related sectors had also been successful, particularly the European Health Union, the Comprehensive Schengen Information System, and the Erasmus++ Programme.

‘However, several challenges still lie before us’, she continues. Altogether, national governments and voters were happy with their newfound policy autonomy but constantly complained about the lack of policy coordination. Several cases of large state aids, devaluations, and capital flights had threatened to unravel the single market and the reintroduction of retaliatory tariffs and capital controls had only narrowly been avoided; during the next recession, things may well get out of hand. High-debt countries suffered from the higher interest rates forced on them by the international markets. Redistributive policies had also lost momentum, although poorer countries had generally continued to grow faster than richer ones. After the failure of the OECD minimum corporate tax rate initiative, tax competition among EU countries had escalated into a complex legal and political conflict between smaller states acting as tax havens and larger ones increasingly adopting the world income principle. Finally, the EU had become a commercial giant but had remained a political dwarf, as exemplified by its failure to prevent Ukraine to join the Eurasian Economic Union or its paralysis in the ongoing trade war between US and China. ‘That’s life in the “lowland Europe” of uniform disintegration’, she concludes.

## Scenario 4: archipelago Europe (differentiated disintegration)



**Archipelago Europe**  
(differentiated disintegration)

On 9<sup>th</sup> May 2035, his 75<sup>th</sup> birthday, the Chief Editor of the *European News* daily newspaper slowly pedals on the exercise bike in his home in Madeira while trying to keep track of the excited discussion of the afternoon virtual newsroom meeting running in his VR-headset. His younger colleagues hurl potential home-page items at each other: 'Denmark latest country to opt-out from the Posted Workers Directive'; 'Israel submits EU accession application'; 'Green light to the new Franco-German energy giant'; 'NATO split irreversible?'; 'Spain doubles down on expansionary policy'; 'New President of the NECB elected'... 'Pick the last one but spell the acronym out as Northern European Central Bank, lest readers get confused', he adjudicates.

His mind drifts to the increasing complexity of the EU since the 'great devolution' of 2029. In the 2020s, enduring economic stagnation, diverging national interests, creeping non-compliance, and rising popular Euroscepticism had undermined the foundations of the European project. When the 'second Eurozone crisis' of 2028 had finally hit, the hawkish new President of the European Central Bank had refused to provide sufficient liquidity to peripheral countries and ESM funds had rapidly been exhausted, forcing seven Euro countries to default and redenominate into new national currencies. To prevent the crisis from snowballing into a complete paralysis of EU activities or even its formal break-up, an intergovernmental conference had introduced the famous Article 50bis procedure, which enabled states to opt-out from any existing norm of the primary and secondary EU law after a 2-year negotiation period, facilitated the use of enhanced cooperation, and accordingly adjusted the functioning of EU institutions. This had led to a controlled process of differentiated disintegration, preventing the withdrawal of countries and leaving behind a

patchwork of issue-based regimes, geographically smaller but more cohesive.

'Alert: weekly traffic and revenue report available', a message appears in a corner of the virtual headset. Six years after the 'great reform', the EU had become a less ambitious and more chaotic framework for international cooperation but had also acquired a new political and institutional dynamism: both very good things for business! The new customizable character of EU norms and institutions had proven increasingly attractive for existing members and third countries: no country had withdrawn; seven (including all six Balkan states) had joined, bringing total membership up to 35; and several other states were expected to join over the coming decade. The general budget had declined to 0.7 per cent of GNI, but an additional 0.5 per cent was provided by states to the special budgets of the various 'clubs' they were member of. The Euro area had only retained 12 countries and been renamed 'Northern Eurozone' last year. The Area of Freedom, Security and Justice (AFSJ) had been formally extended to all 35 members, but concrete policies and norms only applied to groupings of variable size, with an excellent coverage in the field of police cooperation and a poor one in the field of external migration and internal border controls. The Common Foreign and Security Policy (CFSP) had lost importance and funding, reverting to a non-binding forum for exchanging and coordinating national views. In defence matters, several EU countries had joined the recent UN-sponsored 'Disarmament 2050 Initiative' while others had rearmed within the framework of NATO and related sub-regional military alliances. The Single Market had become larger but less smooth, as many temporary exceptions, permanent opt-outs, and other forms of flexibility had been introduced to accommodate vital national interests. Finally, the pendulum of integration had been moving again in an upward direction in the last three years, with a flurry of promising industrial initiatives and enhanced cooperation proposals: in particular, large transnational mergers of private enterprises, the European Pharma Development Centre, the Arctic Exploitation Alliance, and the Outer Space Programme.

'Your dinner is being delivered in the living room', chirps his home-AI. Yes, the EU in 2035 was quite different from the one of his middle age, in 2020, with both upsides and downsides. National policies increasingly diverged, with generally positive domestic consequences but mounting cross-national conflicts. EU norms were more

respectful of national preferences, but every opt-in and opt-out negotiation threatened to escalate in a vicious cycle of retaliatory measures. Mobile firms and citizens constantly complained about the lack of legal uniformity between countries and the growing obstacles to trade, investment, migration, and travel. Hard Euroscepticism was a thing of the past, but so was the dream of an incremental path to the ultimate goal of a federal EU, to the chagrin of traditional Europhiles. Most countries were falling behind on important international commitments, such as their emission targets. Finally, relations with Russia had become quite cordial, with a common Eurasian trade area planned for 2045, but US and China were ramping up their efforts to win EU member states to their side of the 'Second Cold War' with incentives, sanctions, and increasingly blatant political meddling. 'That's life in the "archipelago Europe" of differentiated disintegration', he sighs, taking a bite out of his vegan pork bao.

## Conclusion

A synthetic overview of the key features of the four scenarios on internal differentiation is provided in the figure below.

All scenarios are premised on severe adverse shocks in the 2020s, resolute reactions EU elites at a crucial turning point in the late 2020s, and the relatively successful implementation of alternative strategies in subsequent years. They diverge instead in their paths and outcomes: the first scenario, 'highland Europe', moves toward uniform integration by forcing laggard countries to adapt or leave; the second scenario, 'mountainous Europe', moves toward differentiated integration by weakening the veto power of laggards on new initiatives; the third scenario, 'lowland Europe', moves toward uniform disintegration by accepting a shift away from the sensitive areas of core state powers; the fourth scenario, 'archipelago Europe', moves toward differentiated integration by introducing a negotiated procedure allowing countries to renege on existing EU commitments, in order to forestall more drastic unilateral actions.

The four scenarios are plausible but somewhat extreme, in order to better highlight the hard choices and trade-offs which may face the EU in the coming decades. The most likely scenario, particularly in the case of a favourable external environment and weak shocks, is a continuation of the current path of slow incremental integration, achieving by 2035 a moderately higher level of

internal integration, a slightly higher or stable level of internal differentiation, no or minimal enlargement, and no or minor Treaty changes: nevertheless, conscious choices and fortuitous events may make it more similar to scenario 2 (mountainous Europe), scenario 1 (highland Europe), or the status quo.

## Further readings

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**Integrating Diversity in the European Union (InDivEU)** is a Horizon 2020 funded research project aimed at contributing concretely to the current debate on the 'Future of Europe' by assessing, developing and testing a range of models and scenarios for different levels of integration among EU member states.

InDivEU is coordinated by the Robert Schuman Centre at the European University Institute, where it is hosted by the European Governance and Politics Programme. The project comprises a consortium of 14 partner institutions and runs from January 2019 to December 2021. The scientific coordinators are Brigid Laffan (Robert Schuman Centre) and Frank Schimmelfennig (ETH Zürich).

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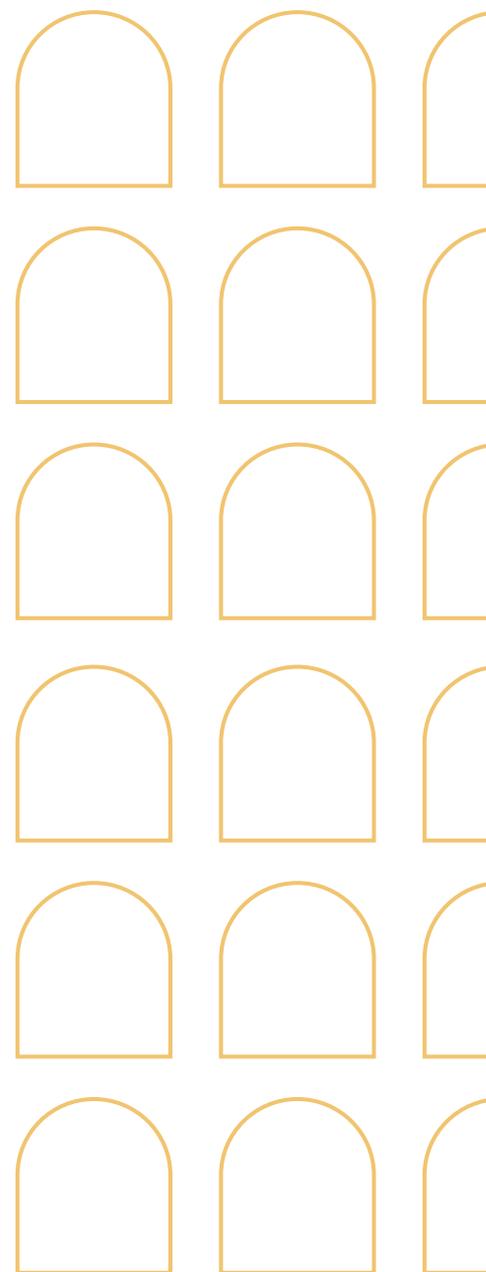
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