

POLICY BRIEF

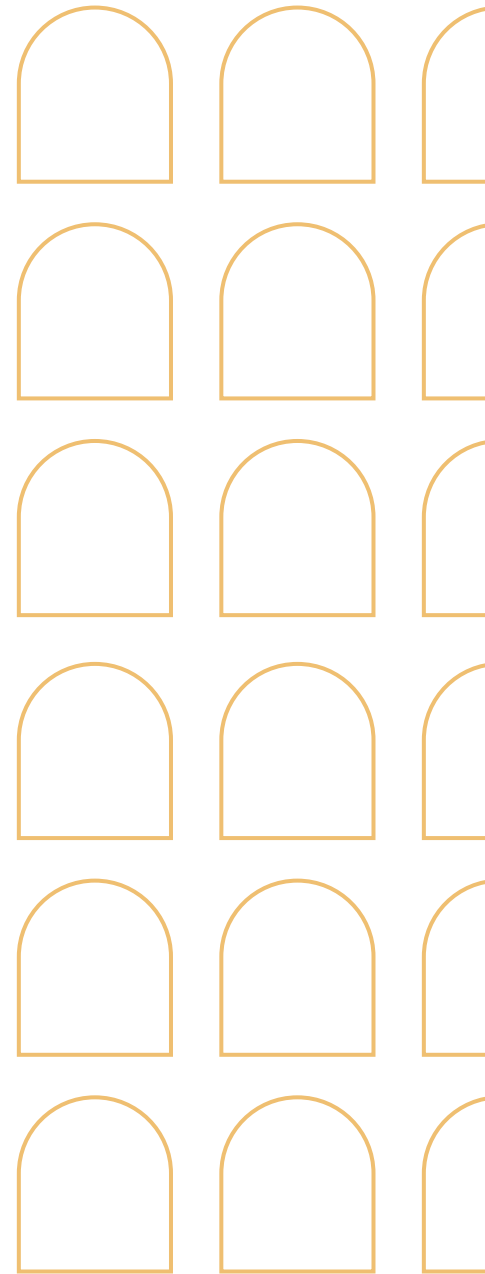
Integrating Diversity in the European Union (InDivEU)

Love thy neighbour 2035: three scenarios for external differentiation

What is external differentiation?

External differentiation can be defined as the selective extension of the validity of EU legal rules to third countries without the conferral of membership rights. It thus represents an alternative both the (full or differentiated) extension of legal rules and rights to non-members through EU enlargement and to no legal and institutional integration.

External differentiation may in principle cover all international agreements and unilateral acts applying to the relationship between the EU and third countries or only the subset of them entailing a close and one-sided alignment of third countries with EU norms. It is a constitutive and common feature of EU external relations, enveloping third countries in a complex web of differentiated relationships, each characterised by a different degree of legal integration and alignment. Depending on its definition, it encompasses countless unilateral EU acts with external effects, more than two thousand international agreements, more than one hundred association and free trade agreements, and a handful of extremely ambitious market and regulatory integration agreements, notably the European Economic Area (EEA) with



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Norway, Iceland and Liechtenstein and the bilateral agreements with Switzerland, Turkey, and the UK.

The current stagnation of enlargement, caused by the weakness of the EU's 'integration capacity' with regard to potential new members and an 'accession fatigue' among key national electorates and governments, objectively enhances the potential of external differentiation as a useful institutional option. At the same time, relations with several third countries currently find themselves in a flux, stimulating a frank debate between opposing alternatives: full EU membership, a closer external relationship, or a looser external relationship.

The scenario set: love thy neighbour 2035

The present paper contributes to these ongoing policy debates by building, outlining, and assessing three analytical scenarios on the future use of external 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 presenting in a synthetic and memorable manner the projected outcomes, strengths and weaknesses, and feasibility of each scenario, the exercise offers to policymakers, experts, and citizens a useful tool to think about the future of EU external relations and support the design of appropriate strategies and institutional 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 connected to third countries by a web of graded relationship ranging from a strong to a weak level of integration and legal alignment. For the EU neighbourhood taken as a whole, three paradigmatic choices and resulting analytical scenarios can be identified: (1) 'extended family', characterized by EU enlargement; (2) 'close-knit community', characterised by increased external integration without membership; and (3) 'good fences make good neighbours', characterised by increased external disintegration and the shift to more distant relationships. As different strategies can simultaneously be pursued, and different outcomes reached, in relation to each individual third country, actual developments will inevitably represent a combination of all three scenarios but may move the EU closer to either of them. For each scenario, an assessment

of its current relevance, potential strengths and weaknesses, conditions, and future scope of applicability is presented.



Extended family
(EU enlargement)



Close-knit community
(external integration)



Good fences make good neighbours
(external disintegration)

Scenario 1: extended family (EU enlargement)



Extended family
(EU enlargement)

The first option of the EU in dealing with third countries is to pursue their progressive full integration through enlargement, leading to a growing 'extended family' of member states. This strategy has successfully been pursued in the past, bringing the number of EU members up from 6 in 1958 to 28 in 2013, before falling back to 27 in 2020.

Supporters of enlargement point to the benefits of integration for both sides (trade, free movement, policy cooperation, peace, a fair say in common decisions), the political and democratic stabilization of prospective members, and the improved geopolitical weight and influence of a larger EU. Opponents emphasize its costs for the EU (decision-making inefficiency and paralysis due to a higher number and heterogeneity of members under unanimity rules), existing member states (relative loss of influence, sharing of 'club goods' such as agricultural and cohesion funds, unwanted internal migration), and accession countries (costly alignment to accession criteria, loss of policy autonomy, macroeconomic shocks) as well as to increased geopolitical tensions with other regional powers (e.g. Russia).

The conditions for a large new enlargement wave are widely considered to be unrealistic in absence of radical changes in the EU governance framework, its level of integration, the economic and political conditions of third countries, and the international environment. More specifically, major further enlargement seems to require a combination of the following quite unlikely conditions: (a) a weakening of the principles of unanimous consent and equal representation of member states in EU institutions, which would avoid post-accession stalemates and rising bargaining costs; (b) a retrenchment of the ambitions of the EU to the level of a trading bloc such as NAFTA or of a loose coordination forum such as the Council of Europe, which would soften mutual objections to enlargement; (c) an inclusion of Russia, removing its opposition the further eastward expansion of the EU; (d) the abandonment of the geographical criteria to pursue enlargement in areas not currently covered by rival customs unions, such as Northern Africa and the Middle East; (e) the accession of few, small, prosperous, and uncontroversial countries, where the functional benefits for existing EU members outweigh the additional institutional problems. Internal differentiation can facilitate enlargement through the granting of temporary 'discriminatory' and 'facilitating' exceptions and of permanent 'opt-outs' from specific parts of the EU *acquis*, but there are clear limits to what the EU is prepared to accept in terms of single market compliance, administrative capacity, and liberal democratic standards. However, a smaller enlargement to a few selected states cannot be completely excluded under favourable circumstances.

Thus, the scope of applicability of this scenario by 2035 is quite limited. The objectively most promising candidates for accession are the developed and already highly integrated Western European neighbours, such as the EFTA countries (Norway, Iceland, and Liechtenstein), Switzerland, the UK, and other microstates and dependent territories (e.g. Andorra, Monaco, San Marino, Greenland); however, none of them is currently interested in EU membership and some of them (the UK and Switzerland) seem to be moving toward a slightly more distant relationship. The six countries of the Western Balkans are actively pursuing EU membership, but many intractable economic, administrative, democratic, political, and acceptance obstacles hinder their accession. These are unlikely to be overcome in the medium-term, although the admission of a small selection of countries (particularly the NATO members Albania, Montenegro, and North Macedonia) may still be possible on geopolitical grounds. Finally, further enlargement in the

post-Soviet area, Turkey, or the Mediterranean, despite some interest among local and European elites, seems to be entirely unrealistic.

Scenario 2: close-knit community (external integration)



**Close-knit community
(external integration)**

The second option of the EU is to pursue a closer external integration of third countries without membership, leading to a 'close-knit community' of states linked by graded degrees of alignment with EU norms. This strategy has been extensively pursued in the past, leading to a complex web of association, free trade, cooperation, and comprehensive integration agreements with a large number of countries; some of them, such as the multilateral European Economic Area with Norway, Iceland, and Liechtenstein or the bilateral agreements with Switzerland, the UK, and Turkey, ensure a very high level of static and dynamic alignment with EU legislation and technical standards over large policy domains, particularly with regard to the Single Market.

Supporters of external integration point to its ability to deliver the essential functional benefits of integration while respecting vital national preferences and political sensitivities, enabling both parties to design mutually advantageous bespoke deals. Opponents of external integration can be divided in two groups: supporters of full integration through accession emphasize the costs of non-integration in all areas not covered by the agreement and the self-incurred dominance of third countries, which must comply with relevant EU norms without having a say on how they are formed; supporters of external disintegration highlight instead the detrimental impact of existing commitments on national autonomy and policy effectiveness.

The general conditions for a strengthening of the external integration of third countries are easy to summarize: (a) a favourable perception of its mutual benefits compared to the status quo and to competing alternatives (e.g. enlargement, external

disintegration, integration with rival economic blocs); (b) the ability of political elites and negotiators to design mutually acceptable compromises or impose unbalanced ones on their counterparts; (c) the absence of insurmountable practical, political, and geopolitical obstacles to the conclusion and ratification of agreements, such as blocking oppositions among national institutions, national electorates, or great powers. Most of these conditions are often relatively easy to obtain, as controversial issues can always be defused by altering the text of the agreement; however, all agreements going beyond areas of exclusive EU competence require the unanimous consent of all 27 existing member states and highly integrated agreements may elicit strong resistances. Altogether, the future evolution of the relative economic and political attractiveness of the EU compared to alternative partners (e.g. Russia or China) seem to be decisive in determining a pressure toward closer, stable, or more distant relationships of the EU with third countries: a reversal of the current stagnation of EU economies and an international move toward a logic of protectionist regional blocs would encourage external integration while a continued relative decline and open international environment would discourage it.

Thus, the scope of applicability of this scenario by 2035 is quite large, although existing global trends tend to make potential partners gravitate toward China or the United States rather than the EU. Within the EU itself, accessions or withdrawals will automatically alter the nature of the relationship with closely integrated countries, contracting or expanding the scope for external integration. In the Western Balkans, a closer regional partnership including all six countries or bespoke individual agreements seem to be both functionally reasonable and politically feasible. Among Western European neighbours, there is generally little interest in and scope for further market integration, but a closer relationship in other policy areas (e.g. infrastructure, environment, internal affairs, research, defence) may be feasible, particularly if non-EU countries are given a fair say on the resulting common policies through agreements operating outside of the EU framework (possible) or the granting of special voting rights on EU legislation, agencies, and programmes (currently considered to be legally impossible). Relationships with neighbourhood countries and other partners, finally, are the easiest to improve, building on existing agreements. However, the shift from loose to closely integrated partnerships may require strong inducements (technical and financial support, market and immigration access, threats of exclusion) and may lead to conflicts with other great and regional powers.

Scenario 3: good fences make good neighbours (external disintegration)



Good fences make good neighbours (external disintegration)

The third option of the EU is to accept a greater degree of external disintegration, leading to more distant relationships with its neighbours and partners. This strategy is often considered to be undesirable and the result of a policy failure, but a good case can be made for the adage 'good fences make good neighbours', abandoning excessively rigid legal and policy constraints and the emphasis on unilateral alignment to allow the development of voluntary relationships between equal partners, which can freely agree to cooperate or not according to their specific conditions, interests, and priorities. Regardless of its merits, a low or absent level of political integration is currently prevalent in the relationships of the EU with most states beyond its immediate neighbourhood (Europe and the Mediterranean) or historical sphere of influence (e.g. the African, Caribbean, and Pacific parties of the Cotonou Agreement).

Supporters of external disintegration highlight the potential gains in terms of national autonomy, policy flexibility, and democratic responsiveness and point to the fact that a lack of legal integration does not necessarily result in a materially distant or hostile relationship, as exemplified by the solid political links of the EU with the United States, its intense trade with China, or its rich cultural and human exchanges with Latin American countries. Opponents underline instead the large functional costs of non-integration, the illusory nature of an equal relation between partners of unequal power, the risk of escalating political tensions and possibly armed conflict, and a loss of geopolitical weight and influence for the EU.

The general conditions for external disintegration are the obverse of the ones for external integration: (a) an unfavourable perception of the mutual benefits of integration compared to the status quo and other alternatives; (b) the incapability of elites and negotiators to reach mutually acceptable

agreements or impose unbalanced ones; (c) the rise of practical, political, and geopolitical obstacles to a closer relationship, such as incompatible policies, domestic opposition, or great power interference. These conditions frequently apply to regional organizations, which must contend not only with global trends and specific national disagreements but also with competing states and organization offering alternative options to third states. In particular, a further comparative economic and political decline of the EU would encourage external disintegration while its economic recovery and geopolitical deepening would discourage it.

Thus, the scope of applicability of this scenario by 2035 is large. On the one hand, political tensions with closely integrated countries, particularly the UK, Switzerland, and Turkey, may be alleviated by introducing more exceptions and margins of flexibility or by reducing the overall ambitions of the relationship. On the other hand, less integrated countries may reduce their unilateral or bilateral alignment with the EU due to the attraction of competing alternatives, such as China, the United States, Russia, the Commonwealth, or regional customs unions. Finally, the currently loose relations of the EU with the remaining majority of sovereign states may improve or worsen in terms of exchanges and cooperation agreements but fail to progress to a stage of legal and institutional alignment considered sufficient to deserve the definition of external integration, remaining at the level of loose cooperation between sovereign states characteristic of modern international relations.

Conclusion

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

The first scenario, 'extended family', foresees a path of integration through enlargement; the second scenario, 'close-knit community', charts a path of integration through closer differentiated relationships without membership; the third scenario, 'good fences make good neighbours', anticipates a path of disintegration through more distant differentiated relationships with weaker commitments and less alignment. The three scenarios can simultaneously become reality in relation to different countries and groups of countries: for instance, with the EU accession of Montenegro, a closer external relationship with Albania, and a more distant external relationship with Serbia.

From the point of view of their feasibility and scope of applicability, a large new wave of enlargement is extremely unrealistic, in light of a host of technical and political constraints, but a few countries in the Western Balkans may manage to accede under very favourable conditions. External integration and disintegration are more likely and may affect several neighbourhood and non-European countries. For the majority of non-EU members, the most likely development seems to be a stagnation around their existing type and level of external integration.

Scenario	 Extended family (EU enlargement)	 Close-knit community (external differentiation)	 Good fences make good neighbours (external disintegration)
External integration	higher	higher	lower
EU membership	yes	no	no
Arguments for	functional benefits political stabilization geopolitical influence	functional benefits respect of vital preferences	national autonomy policy flexibility democratic responsiveness
Arguments against	decision-making problems costs for members costs for accession countries geopolitical tensions	cost of non-integration self-incurred dominance legal and policy constraints	cost of non-integration informal dominance risk of conflicts loss of EU influence
Conditions	strong mutual interest few and small candidates EU institutional reforms less ambitious EU integration support of Russia	strong mutual interest unattractive alternatives successful negotiations pro-integration climate	strong mutual interest attractive alternatives to EU unsuccessful negotiations anti-integration climate
Likelihood	low	medium	medium
Most likely application	few Balkan countries	some European countries	some third countries

Further readings

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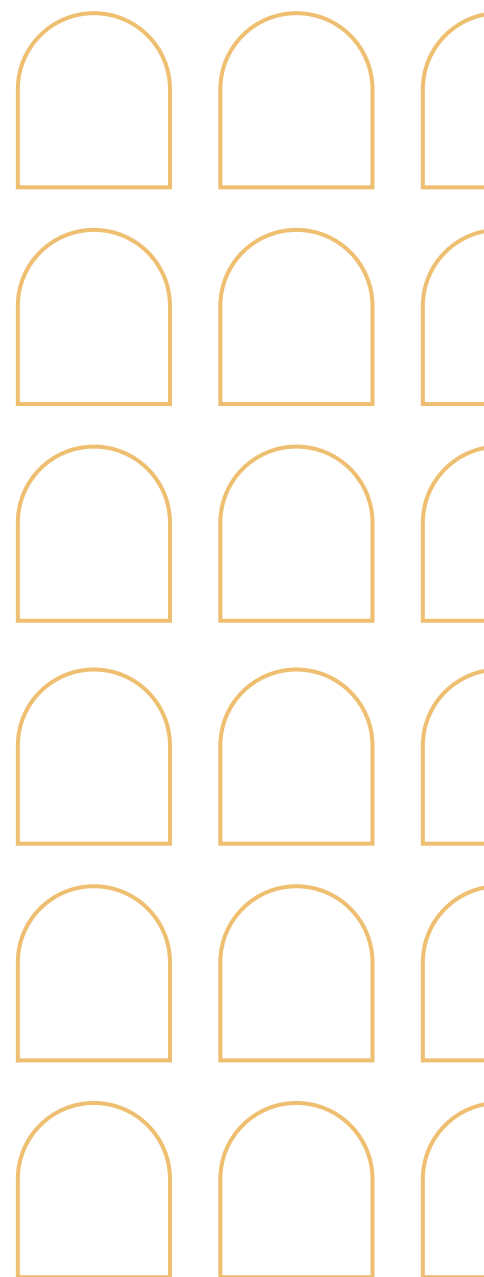
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