

EUROPEAN ECONOMIC INTEGRATION THEORY REVISITED

Workshop

By European Association for Comparative Economic Studies

Szeged, March 2017

Re-defining integration

Reflections on Future of EU in Theoretical Contexts

Tibor Palánkai

Professor emeritus of Corvinus University of Budapest

The paper is about the crisis of present international integration processes. This crisis is complex one, and we can agree that it calls for an overall reform and renewal of the EU and the global integration frameworks. I give particular attention to future of the European Union.

There are several possibilities and options of making reform proposals. One is analysis of present institutions and policies, and from their failures and deficiencies to draw conclusions. This approach means focusing on the syndromes of disease; and tries to find therapies upon them.

I propose a different approach. Conclusions about the crisis can be made from the complex structural analysis of integration processes, based theoretical grounds. This can identify the main developments, trends and characteristics of integration processes, and sort out the main deficits, defects and deficiencies. We can try to draw a map of anatomy, locate the disease and formulate the therapy accordingly.

The integration theories have emerged and developed about in the last half a century. We know the stories of Fritz Maclup about the novelty of notion of integration in the social sciences literature, particularly in economics. In fact, it was mostly related to international economics. They were based on international trade theories (customs union theories and comparative advantages). “Economic integration is one aspect of ‘international economics’, which has been growing in importance for just over five decades. The term itself has a rather short history; indeed Maclup (1977) was unable to find a single instance of its use prior to 1942. Since then the term has been used at various time to refer to practically any area of international economic relations. By 1950, however, the term had been given specific definition by economists specializing in international trade to denote a state of affairs or a process which involves the amalgamation of separate economies into larger free trading regions. It is in this

more limited sense that the term is used today.” (El-Agraa, 2004:1)

The term has been extended to many other fields. Now, we have great number of related new disciplines (Economics of Integration, Politics of Integration, European Integration Studies, Comparative Regional Integration Studies or Globalisation Studies) and their literature fill libraries.

The issue of integration have become part of the different fields of social sciences, and the main theoretical schools (international division of labour, federalists, functionalists or dependency theories etc.) included integration into their structure of analysis. The main focus of different theories, however, remained country, institution or policy centred.

Proposal for a new theoretical definition of integration

A general semantic interpretation of integration itself presents no special difficulty. Expressed in the *most general way*, *integration is a process of unification, the merging of parts into a whole, becoming a unit, fitting together, melting into one another, linking up*. It can be understood as the cooperation of parts, the harmonization of their operation, their reciprocal influence and their becoming interconnected. According to F. Perroux, “integration is the uniting of two or more economic units into a certain whole”. (F.Perroux, 1954: 419.) All processes fall under the concept of “integration, which lead to larger communities”. (Marjolin, 1953: 41).

I think that the concept of integration as unification or merging is only superficial and quantitative approach. I propose a broader and more comprehensive notion of integration, a qualitative definition. In short, I define integration as *process of creation, reproduction and transformation of communities, development of socio-economic organisms. Qualitatively, the integration means creation of more developed socio-economic organisms, securing higher efficiency and welfare*. Marjolin refers to “community” forming, but with “larger” adjective, remains quantitative.

I consider this as *organic concept of integration*. It means that integration is based on internal driving forces, there are close interactions among the different components, it is characterised by coherence, and it is performance oriented. The organic concept put questions into contexts; it raises issues in their complexity and coherence. This theoretical approach widens the dimensions of discussion. It reveals new fields and aspects for reform and more options could be raised and discussed.

According to this concept, the primary and principal actors of integration are the

individuals, human persons. I think that the human history is the organisation of the individuals into different communities, and the arch of the many thousand years of history starts from families of early historic times through tribes, villages or cities, nations and to the global society as an integrating community in recent time.

The integration is a highly structured process. In general, the formation of different communities or set of organisms is multi-layer, multi-actor, multi-level, multi-functional and multi-dimensional process. In other words, integration as community forming covers set of great number of integrating communities into a total. They are in the process of continuous integration, while existing parallel; they are overlapping, interacting and interdependent. In each societies; there are great variety of them, but their number and complexity tend to grow parallel with socio-economic development. They cannot be separated; the process, performance or success of integration is dependent on all of its components. In this context, integration can be conceived as a process, but if we analyse it at a given moment, level or place, we can get a picture about its state.

European integration is not just about the functioning of EU institutions or policies, but it is broadly determined not only by stability or development of its member states or competitiveness of its companies, but also by stable family relations (population growth and social welfare) or many other social organisations (cities or religions).

Although, I consider individuals as main, primary actors, the integration process is based on multi-actors. According to the composition of different communities, their role can be direct or indirect. In the broader integration process, the different communities, particularly in legal terms, can play to role of a principal actor, even if they are secondary players, as in final end, they represent a community of peoples behind them. In contractual integration of the EU, legally the national states are principal actors, and the main institutions and decision making processes are shaped accordingly. Later, as the *aqui communautaire* was extended, the individuals got legal recognition (citizenship).

We can distinguish among very different type of communities according to levels of integration. Some are based on direct internal relation, cooperation or exchange of activities, like inside families or companies. In others, this exchange of activities is indirect, and they are transmitted by market mechanisms and money. With some simplification, we can talk about micro-integration in the first case; and macro-integration in the second one.

Most of the communities are multi-functional. Family is a biological community for beget and bring up children, but it is also a welfare, cultural (teaching mother tongue or moral formation) or security community. The functions of nations are

even more complicated, and cover all the main fields of the whole social life.

There are established and permanent communities, although they go through fundamental changes during the times, like families, villages, cities, markets or certain religions, and there are some forms of communities or organisations, which are connected with certain socio-economic formations (guilds or trade unions, and even the nations belong to this category).

There are legally or institutionally framed communities, like companies, national states or different type of organisations, while others are informal ones, with flexibly changing membership (fans of a football club). Some are based on legal contracts (marriage, companies or international organisations), some are informal and occasional like the audience of a concert or a sport event.

We can distinguish among political (parties), economic (companies or common markets), cultural (orchestra) or spiritual communities (religions).

The integrations have important spiritual or moral dimensions. They are factors of cohesion of any community, and they played crucial role in all societies. The religions for a long time were legitimizing basis and framework of political power (king and god). The early communities were primarily myth-oriented, which were based on believing in great number of Gods and different religions. Later, as the man could understand more and more about the world around itself, we can speak about knowledge societies. The two, the myth and knowledge lived always together, and both were sources of fantastic human achievements. Some time, their role could be hardly separated, such historical heritages as Angkor, Nazca-lines or the middle age European cathedrals, were products of pleasing gods, but also testing and understanding basic laws of the nature. At present, we often talk about emergence of knowledge based societies, but it does not mean that the role and importance of religions (myth) would have been lost. In fact, presently the misunderstandings of these developments have led to very serious consequences, secular and religious intolerances against each others can be source of bloody conflicts.

Later, by extension of monotheism, we experience emergence of world (global) religions. They form separate, autonomous communities, which represent special, but very important dimension of overall integration processes. At the moment, the so called four big religions (Christians 33%; Muslims 21%; Hindus 13%; and Buddhists 6% of world population); all together cover large part of the mankind (73%), but parallel there are thousands of religious tendencies or sects, which enjoy growing popularity. The “fifth” world religion is Judaism, but their followers are estimated only about 14 millions. The about 14% of the mankind is considered as non-believers. (CIA. World Fact Book. 2010.) Without studying their role and social dimensions, the present integration processes cannot be

analysed and understood.

The community approach opens new dimensions of analysis of human history. It is not about re-writing the history, rather to extend analysis and explanations.

The broader concept of integration offers further extensions, beyond social sciences. Integration can be interpreted as a broader law of the nature. In some sense, we can conceive all biological organisms as integration of cells, maintaining their existence and functioning through the complex processes of metabolism. The notion of integration can be analysed in context of thermodynamics or quantum physics.

I refrain from discussing these extensions; it is beyond the scope of this paper. In fact, I do not venture into a historical analysis as well. I limit myself only to some present problems of international integration.

On international integration

The integrational integration as a new development in historical integration processes has two basic components: interstate regional integrations and the global integration.

As far as the interstate regional integrations are concerned, the EU is the most far going example of them, but according the different surveys, there are several dozens of others (NAFTA, ASEAN, Mercosur etc.), which can range from free trade areas to economic unions. With some few exceptions (such as North Korea or Cuba) all of the ca. 200 countries of the world participate in at least one regional organisation.

The global integration is the other new and main component of present international integration.

I do not want to take position about the history of globalisation. I think that the human beings were global oriented right from the beginning, and we can accept the global outreach of big historical empires (Romans). There are convincing arguments about dating the globalisation process from the discovery of America or the industrial revolution. What I think important that in the decades following the Second World War, the globalisation turned to global integration. And that is new and not the globalisation in general.

The nations remain the important components of resent integration processes. The nations underwent fundamental changes during the history. The present national states differ basically from even the national integration of hundred years ago.

Historically, national integrations, generally are related to the industrial revolution, and are products of the about last three hundred years. The international official recognition of national states historically is dated from the 1648 Westphalia system.

The national integration was based on the intensification of economic cooperation, generated by industrial revolutions, which lead to creation of national markets. In general the communication played a special role. The process was accelerated by national media, first the national journalism and the educational system, then the radio, and the television. The creation „literary” and „official” languages were important parts of national integration.

The national integration is a continuous, ongoing process, and it is far not finished. There are old and established nations in Europe, like France or Britain, and there are some later comers like Italy or Germany. Great number of the present national states has been created after the Second World War, in the process of decolonialisation. In terms of gaining independence, among the latest comers are the Baltic or many Post-Soviet and Post-Yugoslav states. Of course, we have to distinguish between acquiring independent legal status and process of national integration. Emergence of Croatia or Estonia as nations dates not from 1990, but much earlier. Hungary can be considered as an old established nation, while after many centuries gained independence only in the 20th century.

The stable national integrations are based on organic processes. For a great part of countries it took many decades, and was a painful process. The dominant trend, however, was to create culturally, ethnically and politically homogenous national states. This was an unrealistic objective. One hardly can speak about ethnically homogenous nations, in fact, most of the traditional “nation states” failed to cope with the minority and ethnic conflicts.

After the Second World War several artificial national states have been created, mainly through drawing arbitrarily borders by the former colonial powers. They divided ethnic groups and they generated ethnic or tribal conflicts. In organic national integration processes these local communities or tribal differences simply smoothed together, and could be tamed into folkloristic or touristic curiosities. In enforced national integrations these lead to bloody tribal wars, particularly in Africa and recently in Libya. These conflicts destabilize the whole international community.

The settling the disputes of ethnic autonomy and minority right are serious democracy deficits of the “national states” all over the world, but broadly affecting the general integration processes and international stability as well. The EU is not exception, in some countries even the former established national integrations are questioned (Catalans, Scots, or Flanders).

There are still number of ethnicities, who seek national independence. According to UN University data: “on our planet about 5000 ethnic groups exist, who according to UN Charter, can claim national self-determination. From them about 400 would be able to create independent state, and about 80 are actively fighting for that aim.” (Simai, 2007, 59.)

The organic dichotomy applies between national and supranational integration as well. Nations constitute basic and important components of present international integration structures. “At the beginning of XXI. century, the states remained basic ‘building stones’ of international order, the governments are the basic actors and formers of the world order.” (Simai, 2007, 55.) In some sense, we can even speak about up grading of their roles. In spite of high integratedness, this equally applies to the EU as well.

Under the circumstances of international integration, nations integrate by adjusting. Open, cooperative, inclusive and competitive nations are integral part of present integration systems. The nations are not melting away, and have not become obsolete things to be thrown to the lumber of the history.

We need transformed and adjusted nations, able to face of challenges of the international integration in the 21st century. New Europe should be more aware and able to find solution to these dilemmas. Even if we do not know its finalité, EU can have a federal future, but it would not mean elimination of nations, but rather developing with adjusted national structures. What seems to be clear, that centralised federation in Europe is out of question, but what form of multinational federal structures emerge, remain question of the future?

What, however, should be rejected, that are the archaic nationalisms, which seem to revive and getting ground all over the world. The aggressive prioritising national interest, instead of harmonising and compromising them, is a negative sum game; and damages everybody. The exclusive, discriminative, protectionist and confronting nationalisms of 19th and early 20th century were responsible for two bloody world wars, causing death and suffering for hundred millions of peoples.

Verbal rejection of nationalism, and repeating the necessities of cooperation and “more Europe” are not enough. Particularly it is so, when it is no more than rhetoric, meantime prioritising national interests in a selfish way. This hidden nationalism is no less detrimental from point of view of integration than outspoken populist nationalist agitation.

I feel, therefore, the federalist – intergovernmental discourse misleading and contra-productive. The understanding the organic character and coherence of integration processes is vital from point of view of any reform program.

The international integration processes have further layers, and are structured among others, by companies as production organisations or cities as other basic macro-components. These elements are changing in time. The present company structures are dominated by transnational company network (or global value chains), but which emerged only about in the last half a century.

In recent decades, we experiences the emergence of dozens of big Megacities (with more than 10 million populations), which fundamentally differ from early cities of agrarian societies or the big industrial cities built and modernised in the 19th century, like Paris, Barcelona or Budapest. In 1950, there were only two such cities (New York and Tokyo), but by 2016 their number increased to 31 (25 from developing countries). In 1950, population of Tokyo (also N.Y.) was only little above 10 million. Now, Tokyo has 38 million people, New York 18 million. There are only 3 such cities from Europe, Moscow (11 million), and London and Paris just a little above 10 million. “Mega cities, not the nations are the world’s dominant and enduring social structures”. The 600 largest cities account for 60% of global GDP. (UN. World City Report, 2015.)

The similar fundamental changes characterise the development of the families, from the families of early historian times to the present ones of post-industrial society. We make references to religions as important components, particularly on their place and role in the present conflicts.

In order to identify the main achievements and deficiencies of integration processes, we have to define the main criteria and components of their structural analysis. I propose them along the lines of factors of social formations:

- The techno-structures;
- Complexity and intensity of cooperation (characteristics of metabolism of socio-economic organisms);
- Pattern of ownership and stratification of socio-economic structures;
- Institutional and regulatory frameworks (assignment for fulfilling certain functions, and providing services, and offering different type of benefits, like political democracy; efficiency and welfare; training or security).
- Socio-economic, cultural or emotional (spiritual) cohesion;
- Common and shared features, properties and interests, commitment and acceptance of moral and spiritual (religious) values; Identity or identification, certain level of devotion to given community.

We can agree that the present crisis of the integration processes can be defined as “structural” or “transformation” crisis, namely extended to all the elements of the social formation. (I refrain from quoting the immense related literature.)

This crisis affects the global and regional dimensions (EU), but equally extends to national economies and societies or even to the transformation of family relations or urban structures.

The reform and renewal of the EU is urged from different grounds. “There are important challenges ahead of us, for our security, for the well-being of our people, for the role that Europe will need to play in an increasingly multipolar world. A united Europe at 27 needs to shape its own destiny and carve out a vision for its own future.” (Whiter Paper on Future of Europe, 2017:3). The White Paper offers 5 future scenarios till 2025 with detailed description of possible policy options.

It is a realistic plan, which is a merit of it, but at the same time, also its weakness. It outlines what is possible, but not what would be necessary for a future strong Europe. The White Paper remains largely on the level of generalities and at raising the needed reforms in institutional and policy dimensions. Such important issues are more or less failed to be addressed as growth, sovereign debt (South), energy and environment or migration crisis. Without solving of them, at least in some or other ways, one hardly can seriously discuss the “future” or renewal of Europe.

State and deficiencies of international integration

The present international integration is in a large extent a torso, it is burdened with conflicts, and serious deficits, defects and deficiencies. In this paper, I try to make a list, at least a selected one, with short supporting analysis, and hopefully encouraging further discussion on these issues.

Pattern of techno-structures:

The international integration is based on and closely connected with the technological revolutions of the last decades, particularly on information and communication revolution (ICR). The ICR created completely new technologies and unprecedented development of global infrastructures. The knowledge based society means new relation between technologies and science. As international integration and the new technologies are closely related, it is hard to separate the impacts of present ICR or the globalisation. Of course, in these impacts the socio-political factors play important role (inequities do not follow from new technologies).

Some refer to fourth industrial revolution (Klaus Schwab), but I rather prefer to

talk about fourth information and communication revolution: 1. Speaking; 2. Writing and 3. Printing (Guttenberg Revolution). The recent, fourth one is marked by artificial intelligence, robotics or internet. Each represented crucial, qualitative step (leap) forward in development of human communities and social integration.

Early industrial revolutions were closely connected with energy revolutions. Steam engine with coal, combustion engines with oil and gas, all were based on the different forms of hydrocarbons. The electricity as secondary energy source brought further technology and structural changes, but it remained in the framework hydrocarbons as basic fuels. The present ICR is knitted to electricity, and it has not called for new energy revolution. In spite of immense technological changes in recent decades, the dominant role of traditional sources and hydrocarbon remained largely unchanged.

There are four basic requirements towards any energy resources. They should be cheap, abundant, clean and securely available. The hydrocarbon never met fully these requirements, but they were either neglected or acceptably compromised. There were high expectations about nuclear energy, but it met neither of these requirements.

Since the energy crisis of 1970s, the fulfilment of these four requirements has become growingly impossible, and the chances of compromising greatly diminished. The era of relatively cheap oil and gas has ended, the global warming takes dangerous proportions, and problems of security of energy supply increased. The replacement of hydrocarbon economy is more and more question of survival of mankind and the global civilization. The present hydrocarbon based structures are growingly unsustainable, and the negligence of global externalities threatens with environmental degradation. The energy and environmental crisis is the main and most important dimension of the deficiencies of the present techno-structure. Future is not hopeless, there are energies (solar or hydrogen) on the horizon, which can meet all the four requirements.

Intensity of cooperation and interconnectedness:

The integration assumes increasing and high intensity and complexity of relations, covering all the fields of reproduction process in economy and society. These relations are durable and institutionalised.

The present international integration is marked by intensive exchanges of goods, production factors, particularly capital, information and peoples, and in fact, during the recent decades, these exchanges have exploded. As result, the

economies and societies have become interconnected and interdependent.

In a study (Palankai, 2015), I analysed the state and evolution of global and European integration, with particular attention to Central Europe. By selecting parameters, I tried to conceptualize the main factors of international integration processes, and I made an attempt for quantifying of them. My main focus was on real and institutional integration.

In term of real integration, special attention was given to intensity and openness of cooperation in trade and foreign investments, internal interconnectedness and transnationalization of company sector.

For measuring “intensity” of cooperation (proportion of external trade and FDI in GDP), I set a *minimum intensity (dependency) threshold*, beyond which it can be said that economic relations place countries in a dependent position. This threshold is assumed to be somewhere around 10%, which means that if the proportion of foreign trade of a country in its GDP goes above that level, then the given country has become dependent on foreign trade. In a similar vein, if for example the share of one oil supplier is more than 10% of the oil import of a country, then that country is dependent on the given source. This threshold has been used as an indicator of dependence in cases of energy policy decisions of the International Energy Agency, and of course of the EC/EU.

0	10%	25%	40%	60%	100%					
I	Low	I	Moderate	I	Advanced	I	High	I	Very High	I

Scaling of the level of intensity and dependence

(Compared to original study, I changed the no to low, the low to moderate, and the medium to advanced categories. They probably more properly indicate the real state of integration.)

The below 10% trade share in GDP can be considered as the indication of no or low external dependence, structurally closed economy, and lack of intensity. Moderate intensity is considered here between 10-25%, advanced intensity between 25-40%, high intensity between 40-60%, while very high intensity (dependence and openness) above 60%. These ranges can be highly disputed, but in accordance with the literature, I accept 10% as a minimum intensity (dependency) threshold, and 40% as a threshold of high intensity. The *scaling is relative*, in absolute terms, as 25% of share of trade in GDP can already sign high openness and dependence.

From the 1960s onwards, we have experienced radical changes in the intensities of international cooperation and dependences. In the 1950s and

before, the relation of world trade (export and import) to the aggregate global GDP was around 5-6% or rather below. More recently, this share has increased far above 20%. Needless to say, this only holds as a generalization, because relations were structured very unevenly and in very asymmetric ways (i.e., as one-sided dependencies), particularly as the less developed and small countries are concerned. In such large countries as the USA, Japan, China or the former Soviet Union, the share of foreign trade in GDP was very low (3-5%) in the 1950s. It was an important new development in the process of globalization that by the 1970s the share of foreign trade in GDP of these large countries had increased to around or beyond the 10% benchmark. If we add the massive foreign capital inflow from the 1970s, then the larger countries can no longer be considered as “isolated” economies,

All this can be taken as *an indicator of the emergence of global interdependence and international integration*, which has developed in the last half-century. This is *a new quality, which is none other than integration*.

Due to these processes, the intensity of cooperation in EC/EU increased substantially. Between 1960 and 2015, the export in GDP in EC/EU countries increased from about 20% to about 45%, and in terms of the internal trade share in GDP from about 8% to nearly 25%. As far as mutual trade is considered, the member countries passed the threshold of interdependence by the 1970s, and 40 years later, by the 2000s, the *integratedness* of the EU countries doubled. The intensity of the trade integration of EU members shows large differences. WE have to call attention, that beyond level of integratedness, the size and the level of development play also a role.

In the quoted research, in summary, I tried to calculate a composite index of integratedness. I sorted out 6 major parameters of real integration: place in KOF Index; intensity of trade integration; intensity of capital relations; sub-regional interconnectedness; structural convergence; and balancedness of integration relations.

In the case of a parameter, I relied on the formerly applied scaling approach. Performance was summarized on a 1-5 scale, based on the formerly applied scaling. A higher score indicated a higher level of integration. As result of these calculations, the member countries of EU fell in 3 major groups.

1. *Extremely highly integrated countries (8):* BE, NL, IE, AT, LU, HU, CZ and SK.

In this group we can find the small developed core countries (except Danemark, Finland and Sweden) and East-Central Europe (except Poland and Slovenia).

2. *Highly integrated countries (12):* DK, DE, FR, UK, IT, FL, PL, SE, ES, EE, SL and RO.

The large developed countries, + (Poland, Romania and Spain) with a mixed group of smaller countries (Estonia, Denmark, Finland, Slovenia and Sweden) fell in this group. If we take the size into account, for most, there are no differences between the two groups.

3. *Advanced level integrated countries (7):* PT, EL, CY, ML, LT, LV and BG.

Among the EU members, there is no country, which can be taken as moderately integrated (according to our scaling) and low (no) integration is related only to certain parameters. (Trade intensity in goods for Greece and Cyprus, which is below 10% of GDP or FDI for Greece and Italy). Among the countries there are big differences, and these play a role in their performance.

In terms of institutional integration, we can get different pictures. As real integration is concerned, *Hungary belongs to the 10% of the most internationally integrated countries of the world, and to the 8 of the very highly integrated in the EU.* In institutional terms, Hungary has not yet introduced the euro, and we have no target time for it.

Real and institutional integration are closely connected, and are mutually determined.

The Euro is often considered as a largely political project. That is highly misleading and shows misunderstanding of integration processes. The single currency, first of all, organically follows the single market.

The single market, with its four freedoms, extended to all forms of capital transfers, means *full convertibility*. (In reality, it characterises only the EU countries.) Full convertibility, however, raises a serious dilemma. If the restrictions on capital movements are abolished, then only exchange rate manoeuvring remains for the correction of balance of payments problems. But in this case the requirements of the exchange rate stability would be injured. Moreover, countries insist on their monetary policy autonomy. According to T. Padoa-Schioppa, countries aim at *an impossible task of reconciling the four priorities of economic policies*, namely 1) free trade; 2) the full freedom of capital movements; 3) fixed exchange rates; and 4) the sovereignty of their monetary policy. "These four elements form what I call an 'inconsistent quartet': economic theory and historical experience have repeatedly shown that these four elements cannot coexist, and that at least one has to give way." (Padoa-Schioppa, 1989: 373.) *The dilemma can be solved with a monetary union*, that is, with the

replacement of the national currencies with a single or common one. In fact, there is a large functionalist literature about the problem (spill over).

Besides the single market, the other leg of the Euro is the high level of intensity and interconnected (interdependence) of EU economies. This *high level of integratedness is a strong basis for its monetary integration*. In the EU, *by the 1990s, the real-economic conditions for monetary integration had been created*. The Euro has become one of the crucial factors of competitiveness of European economies. One can speculate about the collapse of the Euro-Zone, but in light of its bases it would mean catastrophic consequences. These organic mutual dependences have to be taken into account in any reform consideration.

High integratedness *creates a unique position for the Union in the global economy*. Compared to other inter-state integrations, the EU has several distinguishing factors, namely: 1) it is based on high intensity of relations, and interconnectedness, and relatively balanced interdependences; 2) it is the only integration organisation which has created *a closely complex single internal market* and approached to the level of real economic union by *creating a single currency* (the 18 Euro-zone members provide about 77% of the EU total GDP); 3) it extended the *principle of cohesion to the level of the Union*, and 4) in institutional terms, it acquired *a certain political identity* (have become a *polity*) with *several elements of supra-nationality*. The EU is *a model for regional integration*. It is much more than a simple international organisation, but still much less than a classical federation.

As far as global or other interstate regional integrations are concerned, the intensity of cooperation shows great variations, but high intensities are characteristic rather among the neighbouring countries. The interconnectednesses are weaker, and fall mostly close into moderate level. The intra-trade in such organisation as ASEAN or Mercosur is around only 25-30%, and the major trade partners are from outside of the organisation (USA, EU or Japan). Structural openness is not accompanied by institutional one, and usually is connected with asymmetric or unilateral dependencies. Relatively balanced interdependences are rather among the major big powers (USA-EU or USA-China).

Diversity of socio-economic models, and regulatory frameworks::

Global integration and global capitalism are parallel notions. But it is source of more serious conflicts, that number of capitalistic formations exist and compete with each other. The wild Eastern capitalisms are mixed with mafia economies,

or with pre-capitalist or theocratic type of systems. At their meeting points with advanced forms, we can experience tensions.

The Lisbon Treaty pledges at “competitive social market economy” as desirable model of integrating European economy. In a study, published not long ago, I agree with this objective, but I propose to add adjectives of “democratic” and “eco-social”, and redefine the notion according to the challenges of 21st century. (Palankai, 2017). That does not mean homogeneity among the EU countries, the differences among the Northern and the Southern models are quite substantial, and their convergence would be desirable.

The global integration has been developed primarily in market frameworks; the intensity of cooperation was based on broad liberalisation of markets. Opening up the global markets intensified trade and capital movements, particularly in the field of capital markets. Through liberalisation and digitalisation the capital markets became highly integrated. Labour markets remained, however, closed and migratory pressures increased. In general, the global integration was largely a “negative integration” (Tinbergen).

On the other hand, there are serious institutional and regulatory deficits of governance of integration processes. Present integration would assume multi-level governances. The deficits characterise all the levels, they had particularly serious consequences on global dimensions.

The regulation of EU integration stands on three legs. The Union, the national policies, and the coordination of them (multi-level governance). Their proper functioning is basic condition of normal development and operation of the Union. The steps of these three legs should be harmonised, instead of crossing each other. The Euro crisis gave clear demonstration of that. The reform of Euro-governance meant not only rebuilding of European architectures, but also coordination and adjustment of national policies (policy-mixes).

In the recent years, several important reform steps were taken both in EU level governance (creation of European Stability Mechanism or Banking Union) and in terms of coordination of economic policies (European Semester or Fiscal Union). But most of the proposals approach the reforms in a pragmatic way, along the lines of lowest common denominators among the member states. I try to see this rather from points of view, what would be needed, how the smooth and efficient operation of the Union would be achieved and secured?

I agree that “more Europe” is needed. This means that extension of federal structures could happen in several directions. In budgetary fields, the EU should go beyond the Fiscal Union to Fiscal Federalism.

One of the main weaknesses or deficiencies of the EMU is lack of a real common budget. The present one is too small in size (just around 1% of GNI), and has limited policy functions. This is one of the most controversial issues of the EMU reform and there are only limited possibilities for any serious step forward. But without them only very limited improvements could be expected.

The issues of a federal budget were raised by the MacDougall Report as long ago as 1977, but owing to the far-reaching political implications, these recommendations lapsed into oblivion.

The MacDougall Report envisaged three stages of federal budget integration:

- Pre-federal integration with Community public expenditures, amounting to 2 – 2.5% of Community GDP.
- Federation with small public sectors, with expenditures of 5 – 7% of GDP.
- Union with large Community expenditures, reaching 20 - 25% of aggregate GDP.

The European Union, transferring little more than 1% of its total GDP among the members countries, is only about half-way even to a “pre-federal budget”, and the disputes about the budget reforms suggest no spectacular breakthrough in the foreseeable future.

It is hard to define the desirable or optimal size of an EU common budget. In fact, it could or should be determined on the basis of regulatory needs of the Union.

It would assume to base it on the principle of “own resources”. Beyond the present components there were several proposals for new resources (carbon or Tobin tax). So far all proposals proved to be insufficient, and for several considerations unacceptable. The most obvious solution would be to rely on the main traditional resources of national budgets (VAT, income and company taxes). That could secure the flexibility in terms of increasing the size of the budget, to fulfil the role of automatic stabilizers, and cohesive character.

Of course, I am fully aware that practically these sources politically are hardly acceptable options. Even if the sharing of income tax revenues is common in all states and not only in the federal ones (income tax revenues are distributed between the national and local budgets). The common sense is not of property of present politics.

According to the MacDougall Report, *the Community budget must also fulfill the main stabilization, allocation and redistribution functions of macroeconomic*

policy. It must ensure the promotion of price stability, expansion of economic activities, employment and the efficient use of resources.

In general, the budget has four basic functions: development (infrastructure or armament); regulatory (market, prices, employment or exchange rate); provision of public services (education, health, governance or security); and cohesion (redistribution of national income for socio-economic stability). In fact, the present common budget fulfils these functions, but with varying extents in a very limited way. I support the idea that the EU would need a European treasury and a common finance minister.

The debt crisis would call for common solutions, but it is a typical case, where so far any serious steps forward have failed. It cripples economies of the South, but it has paralysing effects on whole union. The treatments are always ad hoc and on occasional basis, and everybody is aware that these debts never will be paid back. There are several options, but in spite high costs of hesitation and delays, the effective solutions so far have been missed.

- The most obvious option would be a debt relief through re-scheduling and writing down debts with gradual timing and sharing the costs among the all interested. For several reasons, both the affected private partners (commercial banks) or the governments are reluctant for such a compromise. For all interested governments, it is almost impossible to find an appropriate moment for achieving such a compromise, because of election considerations.
- In spite of broad rejections, the Europeanising national debts would be an option for consideration (Eurobond). Again, it is almost impossible to conciliate the conflict of short and long term interests of different partners.
- No doubt, that inflation is a terrible social disease, and particularly the Germans have horrible historic memories about it. Hyperinflation was experienced by most of the other nations, and after 1990, it was one of the main costs of transformation crisis in Eastern Europe. Inflating out debts, particularly if in a controlled way, would mean probably less social cost than the total costs of debt cumulation of recent years.

Beyond direct social costs of mistaken debt management, the losses in economic growth should be also taken into account. In fact, this was one of the factors of growth crisis of the Union.

The getting out of the growth crisis a structural modernisation program would be

needed. Clearly, the policy of the ECB on cheap and abundant money, proved to be insufficient. The same applies to the resources offered by the European Investment Bank or the “Junker Plan”, which foresaw only €315million in three years on such EU-wide projects, as better transport links, power grid connections, super-fast broadband networks or school and hospital improvements. (EU Infrastructure Investment Plan, 2014.)

For sustainability of present techno-structure, the energy revolution seems unavoidable. For that, strategies and investments would be needed, and the EU could play an important role. The EU, however, fails to address this challenge. The White Paper says only that Europe is committed for an “ambitious decarbonisation” of its economy and “cutting harmful emissions”. (Whiter Paper, 2017: 10.) The Europe 2020 foresees only 20 per cent of alternative energy, and cutting energy consumption. That is far from a comprehensive program for a new energy economy.

The development of new alternative energy resources, greening of economies and also overall digitalisation would assume radical structural changes, replacement of large parts of present infrastructures, and on longer terms, total rebuilding our living environment. Europe has for that the technological and intellectual potentials. Most part of the American business and political elite is deeply involved and interested in the hydrocarbon energies, and the signals of new administration contradict to any break away of the present structures. Why should we wait till China takes lead in this direction, which she already seems to take? That would be a solution for the growth crisis, hitting Europe in the last decade, and it could bring back Europe into the forefront as a global power. We should understand that a role of global power is primarily not a political issue, but it assumes real foundations in terms of innovation and technological development and not least in military capacities.

In order to avoid any misunderstanding, this structural modernisation should be based on market forces and implemented by private business. But EU institutionally could play a catalysing role. And probably would attract broad transnational business interests and participation. Among others the issue of Eurobond could be considered. In this respect, the New Deal seems to offer useful experiences. (Holland, 2011).

The other major deficit of EU policies is in the response and treatment of the migration crisis. It has short and long term dimensions. So far the responses in both terms have failed. The crisis came to the surface in 2015, when more than a million migrants and refugees arrived to European countries, which was repeated in 2016 as well. This was a big jump compared with few hundred

thousand before. It created difficulties in terms of coping with influx and division among the member countries how best to deal with the problem.

As most of peoples came from the war hit regions, this was rather a refugee crisis. But all agree that it is not a transitory problem, which by solving local military conflicts fade away, but it has more deep rooted causes. “For Europe, the migration pressure experienced in 2015 is only beginning of a long (stretching even beyond post 2050 times) process, which in the coming decades can become intensified and worsened.” (Tálas, 2015). The main sources are the political refugees, socio-economic migrants (seeking better life in Europe), refugees of demographic boom (particularly from Africa), and clima-migrants. Their number in the coming decades is estimated between 30-50 million.

It is true, that on the other end, due to demographic reasons, the European continent in human resources is a deficit region and in fact, this applies for the whole Northern hemisphere. For them external (migrant) sources are needed. But the expected migration pressures of the South seem to largely exceed the European human and labour needs. There is also a big discrepancy between the structure of this demand and supply, and there are limits of political and cultural acceptance.

Europe should mobilise resources for averting both the refugee and migration problems. These are largely missing. At the moment, Europe lacks long term strategies, and those political, financial and military capacities, which are assumed for successful and effective conflict prevention or peace keeping. From point of view of treating migration pressures, complex development of neighbourhood regions would be needed. That would assume development strategies, large financial resources and business initiatives for prosperity of these regions, in order to keep these people at home.

The national institutions and regulatory frameworks are integral parts of integration structures; in fact, they have real legitimacy, executive power and better chances for efficiency. When we speak about more Europe, it means strengthening and re-structuring the regulatory frameworks of member nations as well. Beyond abstaining from free riding, new “policy mixes” are assumed. National adjustments are required in such fields as structural or innovation policies, development of infrastructure and quality of human capital (education, training and health), social and employment policies (single market already called for that), income and social partnership policies (support price stability) and social, regional and welfare policies (for coping with social and regional inequities). These policies are rather subordinated to the short term election considerations than long term stability of the whole integration community.

More federalism and more inter-governmental cooperation therefore are and should not be, confronting options. They should be based on recognition that the best way of optimising national interests is through adjustment and union cooperation.

The “multi-speed” or “variable geometry Europe” are models of integration, which are not alien even from classical federations (institutional and policy differences between Alberta and Ontario, in Canada). They are already realities of EU development. Only 19 countries are members of the Euro-Zone, and its enlargement is not probable in the near future. There are 26 countries in Schengen. The UK opted out, Bulgaria, Romania and Croatia are candidates for membership. At the same time, Iceland, Lichtenstein, Norway (EEA) and Switzerland are associate members. The White Paper refers to this as scenario 3 (those who want more do more): “where certain Member States want to do more in common, one or several ‘coalition of the willing’ emerge to work together in specific policy areas.” (20 p.) It fits into the concept of “enhanced cooperation”, and could mean nothing more than some of the countries take “the role of motor” in integration processes.

Regarding still substantial differences among the nation states, it is a realistic option, even for the long run. But this can be supported only on condition that:

- it is open by retaining the possibility to join at any time (should not mean “new Iron Curtain”);
- it does not threaten the cohesion of the Union;
- it preserves the integrity of *acquis communautaire*, particularly the basic rights, and decision making process; and
- it maintains the normativity of all major policies.

Socio-economic and cultural cohesion:

As it is demonstrated by Thomas Pickety, the 21st century capitalism is characterised by extreme concentration of wealth. The concentration of production and power is even greater. As result of intertwining of business and political power, the corruption has become general and serious disease. This is destructive from points of view of operation of the market, and one of the main syndromes of the crisis of democracy.

The international integration is substantial source of efficiency and welfare

gains. Globalisation offers of substantial benefits, which affect large parts of mankind; and only the smaller part can be considered of real losers. But these benefits are extremely unequally distributed. A tiny majority enjoys large benefits, while for the overwhelming parts of the societies the benefits, can be large, but are not satisfactorily sensed and identifiable. The results are dissatisfaction, resentment and even rejection. This means very large negative identification with globalisation. These have serious consequences; the rejections could be vehement and can be expressed in such developments as Brexit or elections in certain countries.

The benefits of integration are unequally distributed, or felt to be distributed also on EU level. The support of integration would assume tangible benefits and fair distribution of them (“just retour”). For losses people should have been compensated, and through structural funds, this happens only on limited scale. In recent years, too much emphasis was given to deflationary stability, and for that through austerity to many people had to make to large sacrifices.

There are several ways as the differences are demonstrated, and that weakens cohesion of the Union. The problems are not just the absolute differences, but there are relative discrepancies, for example in terms of productivity and real incomes. That was well demonstrated by the Greek crisis. It is not exaggeration to speak about a solidarity crisis, which seems to culminate with the growing migratory pressures. For social cohesion and consolidation, compensations and convergence would be needed.

In social, political and cultural (emotional) cohesion the religions play an important role. At present, in the world, and also in the EU, the main religions (communities) cut through the national states and even ethnic communities.

The main challenges towards religions come from secularisation. This is particularly so since enlightenment, but the process accelerated in the last decades, in fact in a great extent due to globalisation. The European Christianity had adjusted to this process, and produced remarkable changes in attitude in term of divorce, gender equality, tolerance towards otherness etc. The intra-religious conflicts between Catholics and Protestants, for long time source of bloody wars, recently faded away, and the best example for that is Northern Ireland.

Towards the challenges of secularisation, we experience different, in fact, very aggressive responses from the Islam. That takes one fifth of world population, and it is a dominant religion, particularly in many Asian and African countries. Among them, many consider Islam as state religion with great influence of the theocracy on the politics and everyday life.

I do not venture into the debate, did the Islam missed its enlightenment, but it is

a fact, that this secularisation is largely affecting these countries, and the resistance is very vehement. The threat is translated mostly to that of Westernisation, and to a certain war of civilisations (I refrain from analysing and criticizing the idea of Huntington). “Many attribute social polarisation and worsening of their own position to modernisation and penetration of Western values. The social, economic and political marginalisation serves as a natural breeding ground for traditionalism, the survival of traditional social community structures and the spread of ideas and ideologies based on traditionalism.” (Rostoványi, 1998: 275)

The main sources of present terrorism, therefore, are social problems and not just the religious differences. In fact, the bloodiness of inter-religious conflicts internationally remained limited, probably with exception of Jewish-Islam opposition, related to Israel. Most of the victims are intra-religious (Shiites and Sunnite’s), and we have no information on significant clashes among the branches of other Eastern religions.

According to different surveys, more than 40% of European population is secularised, it declares itself nonreligious. More than 70% formally is Christian, and the about 14 million Islam population in the EU, takes less than 3% of total. In Western Europe, many of them are migrants of the last decades, and most of them are secularised.

The different religions are part of cultural diversity of the EU. This is an accepted fact of the European democratic society, which is largely exempt of religious conflicts. There were disputes about “Christian Europe”, but the contribution of the other two Abrahamic religions (Jewish and Islam) to European civilisation is widely recognised. In Europe, inter-religious clashes are rare, and this applies to the relations of Jews and Muslims as well.

Large parts of migrants have been socially, economically and culturally integrated, but far not satisfactorily. Relatively higher share (particularly among the young) of them are unemployed and belong to those, who are socially excluded. This is source of social conflicts (car burning in the outskirts of Paris), but only a tiny minority of them are directly associated with terrorism. While the internal social-cultural factors play some role, the terrorism is primarily induced and assisted from abroad (IS or Alkaida). It is connected with radical Islam, mostly in this respect. The addressing the issue has complex social, political and cultural contexts, and it is not just a national problem (however in different extents), but it is part of consolidation of the whole European integration project. Countries and societies have different approaches, but a European strategy on dealing with the issue is missing.

On the basis of intensification of terrorism, many say that we are already in the

middle of a world war (Pope Francis). We try to respond to it primarily by improving intelligence and security actions. It is, however, evident, that without going down to the social, economic or cultural roots, we are unable tackle the issue. Where is no limit, it is provision of arms, which are abundantly supplied to everybody, including the terrorists. There is no shortage in arms; it is a big business for too many actors. The dangers of a cyber war are increasing, and some of its dimensions are beyond our imagination. This is already subject of reform discussions of common external and security policies.

Identification and devotion to given communities:

Identity can be defined as an attachment to the given community, based on common characteristics, values, interests and destiny, which creates a certain degree of sameness in a group of people. Identification means a certain consciousness and devotion toward the common cause and values, and emotional attachment to the community. (Palánkai, 2000: 60)

The identities are basically determined by socio-economic conditions. They have historical, traditional, social, economic, political and cultural aspects. Peoples have multiple identities, such as related to a profession, a city, a given religious or cultural community etc. “Since the emergence of nation-states, national self-identity has been the organising centre of identity policies.” (Bayer, Friedrich Ebert Stiftung, 1999. p. 33.) After the Second World War, the emergence and rapid acceleration of international integration and integration processes were accompanied by the extension of regional (European) and global identities, as well.

It is widely shared that now by integrating in a region the peoples should not give up their national identity. On contrary, as they get increasingly aware of their regional or global attachments, and it is also realised that the national state is no longer necessarily the best tool for national integration. As the European Union is pledged to a multi-cultural community, it guarantees the flourishing of the national culture, and it may be served better by broader European frameworks. „The basis of the strong European identity is by all means, the maintenance of cultural diversity, which is not contrary at all to peace and democratic stability. The content of European identity rather means a common political culture, which excels in handling cultural pluralism.” (József Bayer, *Political Science Review*, 1999. pp. 16-17.)

The identifications can be are negative or positive ones. Their possibilities usually are rooted in the contradictions of socio-economic systems, and they basically depend on how, in what directions, and with what sort of consequences

the given processes or developments influence the positions of the individuals and social groups.

In Europe, the integration of about 50 years has led not only to a growing identification with the process, but European identity has been institutionalised, among others by European citizenship. As the legitimacy of institutions and a political system depends greatly on loyalty and solidarity of the citizens. The European Union has created the symbols of its identity, the common flag, anthem, feast, and last but not least the common money.

As result of the present crisis, the devotion and identification with the European values and attraction of integration have been weakened, the negative identifications increased. Intra and inter-community conflicts remained or even new ones appeared. “There is still strong support for the European project, but it is not unconditional. Over two third of Europeans see the EU as a place of stability in a troubled world. More than 80% support the EU’s four founding freedoms. 70% of euro-area citizens support the common currency. However, citizen’s trust in the EU has decrease on line with that of national authorities. Around a third of citizens trust the EU today, when about half of Europeans did so ten years ago.” (White Book, 2017: 12)

There is no supportive media for globalisation or international integration. The media information is rather negative and often strongly distorted and manipulated. The international integration lacks balanced media presentation. Directly, great part of the media is not necessarily hostile, but the information is usually limited to negative news. They are often distorted and manipulated. The picture is not changed even through such serious channels as CNN or Euronews. The practice of national media supports this process. According to it, all successes come from the national governments, while for all the troubles and problems Brussels is responsible.

It is telling that about 70% of Euro-zone population is supporting the single currency. The only obvious explanation, that the negative media communications are overwritten by the daily experience of citizens as positive “information”.

The consolidation of the EU integration and strengthening European identities are mutually dependent. Positive identification assumes:

- well and efficiently functioning institutional structures,
- credible and functioning security systems,
- prospering and globally competitive economies,
- sensing the advantages of integration, strengthening and expanding cohesion policies,
- and not at last a stable euro, which is still probably one of the most important

integrating factor of the Union.

Beyond improving communication, the integration process should be accompanied by gradual economic and social convergence of these countries. It is known that integration is a contradictory process, but its balance of costs and benefits should be positive for all parties, and in the long run, these countries should keep on converging. This convergence is important not only from the point of view of positive identification to European integration, but also for easing and solving national conflicts.

A strong and cohesive Europe should be governed by two important principles: the solidarity and subsidiarity. The extended and liberalised markets through increased competition bring huge advantages, but the number of losers is also substantial. They need to be compensated, and it follows not only from the principle of social justice, but also from a general social and political interest functioning as a guarantee of stability and security in a broad sense. As Eveline Herfkens, the Dutch Minister for Development Co-operation stressed at the North-South Centre meeting: „Global interdependence is a key term. New policies of solidarity are needed, based on human dignity and social cohesion. Such policies are both a moral obligation and a rational necessity. People should have control over processes that affect them; this is the elementary principle of democracy at any level. Globalisation without democratic control could not possibly reflect the values, aims and principles on which the Council of Europe is based.” (*The Interdependent*. No. 90. 07.08/2000. p. 1.) This equally applies to Europe.

Notes

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