

6 Conclusions

AQ1 We have addressed questions that have important theoretical and policy implications pertaining to the global power transition, policy challenges facing EU member states, and prospects for ever closer union. Our theoretical framework attempts to bridge the gap between views on conflict and cooperation, with the aim of producing a single coherent perspective that can explain both sides of the international relations spectrum. In doing so, we are able to explain past efforts to integrate Europe and see how a united Europe can meet both international and external challenges. The results and forecasts of our framework are data driven so that policy-makers can understand what is factually needed to solve problems within the time period of the analysis.

Our attempt to produce a general theory of international politics extends power transition theory to account for both conflict and cooperation systematically. For too long these two opposite ends of a continuum of states' interactions have been disconnected and explored by partial theories fixed on confrontation or cooperation. While other attempts have been made along these lines, we add more details regarding the concept of status quo commitment. Our general theory refutes some of the main arguments of the neorealist (i.e., balance of power) and integration (i.e., neofunctionalism, supranationalism) theories, and shows the way for future research and discussion in both areas. We showed that neorealism reduces international interactions to confrontational outcomes and only accounts for conflictual solutions by violating fundamental assumptions required by the theory. Integration, which is a cooperative phenomenon, falls outside the scope of neorealist inquiry. We find attempts to use neorealism to account for European integration lacking in intra-theoretical consistency and empirical validity. We further show that functionalism and supranationalism consider only cooperative behavior as the driving force for deepening of integration, for which there is not strong empirical evidence. Our improved perspective, derived from power transition theory, covers the complete continuum of possible interactions between states ranging from war (severe conflict) to political union (full integration). We show that states may deepen their

46 ties or disintegrate their associations just as crisis can escalate to war or be
47 resolved peacefully.

48 The first element of the model is hierarchy. Our results show that during
49 the early stages of integration, such as free trade agreements, a prepon-
50 derant state in a hierarchy defuses conflict (contrary to balance of power)
51 and stimulates integration. This finding is consistent with earlier arguments
52 concerning the role of regional or global hegemonic power in promoting
53 cooperation among participating states. At higher stages of integration,
54 where other member states' economies close the gap with the regional leader,
55 hierarchy loses its importance in the deepening of integration.

56 We also show that at power parity, states choose between conflict and
57 cooperation depending on their commitment to the status quo. Commitment
58 to the status quo refers to agreements among states that current policies are
59 satisfactory because important disputes are settled. Therefore any new ini-
60 tiatives will not be plagued by lingering disagreements. Two critical factors
61 are involved in this concept. First is the degree of convergence of values
62 among states' citizens. The second factor is the level of trust these citizens
63 have towards institutions that represent the status quo – i.e., institutions
64 of the European Union. As values converge around the dominant state in
65 the hierarchy, increasing trust deepens integration and moves states further
66 away from confrontational positions.

67 We then tested propositions regarding deepening of integration from a
68 simple free trade agreement to full economic and political union. We show
69 that – contrary to neofunctionalism and supranationalism – as integration
70 advances to higher levels, the process becomes increasingly difficult. This is
71 due, in part, to the effect of hierarchy on integration disappearing in the
72 later stages. Instead, convergence of values and trust become the key movers
73 of the deepening of integration, such as the establishment of EMU.

74 We proposed new measures to capture the process of integration by
75 directly measuring value convergence. No previous study has utilized the
76 values map of Inglehart and Welzel to address the importance of values
77 change, in our case the convergence of values, on regional integration. Con-
78 vergence of values turns out to be a significant determinant of regional
79 integration. We show that value convergence is a powerful factor in moving
80 integration from its early stages to a customs union and beyond. However,
81 values convergence is not sufficiently strong to catapult integration from a
82 stagnant monetary union to a fiscal union, which is needed to achieve a
83 stable political union. In other words, in the transition to a fiscal/political
84 union, convergence of values remains positive but a weak determinant,
85 while variations in trust become the engine of further integration. This
86 becomes clear when we report how future change in trust levels could
87 affect integration.

88 With regard to values, our findings point at the emergence of what one
89 might call European values. The question “is there a set of values we could
90

91 identify as being European?” has kept scholars busy for decades. Availabil-
92 ity of time series data from the World Values Survey now gives us a chance
93 to address this important question. The values map, presented in [Chapter](#)
94 [2](#), shows changes along secular–traditional and postmaterialist–materialist
95 values. We found that following the start of integration, convergence around
96 the regional leader’s values plays an important role in promoting the deep-
97 ening of integration. In the values map ([Figure 2.12](#)), one can observe the
98 timeline of each country’s respective values. It is clear that the peoples of
99 the initial members of the EU are more secular and postmaterialist while
100 the newer members are less so. Most of the latter, however, show significant
101 movement in this direction. Among the large new members states, Poles
102 tend to be more traditional in their values than citizens from older EU mem-
103 bers, but are moving in the direction of postmaterialism along with a slight
104 shift towards the middle of the traditional–secular spectrum. The excep-
105 tion is the UK whose values have moved away from those of the EU core
106 towards those of the US. From this perspective the UK’s decision to leave
107 the Union is not surprising. Another large exception is Turkey, an aspiring
108 member of the EU, which is drifting rapidly away from the core of the EU.
109 Based on these shifts, we anticipate that the entry of Turkey into the EU is
110 increasingly unlikely.

111 As for trust as an indicator of the commitment to the status quo, we find
112 this to complement values convergence. Our results show that for the EU to
113 move beyond its current stage of integration, and attain fiscal and political
114 union, a large, substantive positive change in trust towards the institutions
115 has to take place. This result once more challenges the arguments advanced
116 by neofunctionalists and supranationalists who anticipate integration to be
117 easier at every step as the spillover effect takes charge after the start of the
118 initial process. Our findings in [Chapter 4](#) demonstrate that initial integration
119 was relatively easy and citizens’ trust was not a driving factor. As Europe
120 became a customs union and proceeded to EMU, trust had a significant
121 effect on integration.

122 Based on these observations, we can say that the integration process gener-
123 ates gains (economies of scale) but also dislocates existing economies. We
124 find evidence to support William Riker’s insight that monetary unions are
125 inherently unstable unless they are coupled with a political union, which
126 includes a fiscal union.¹ Semi-integrated unions like the EU (i.e., EMU
127 without a fiscal union) are prone to monetary dislocations that cannot be
128 effectively resolved without deepening integration. Yet, despite its pivotal
129 importance for the survival of EMU, achieving political union is easier said
130 than done. This step requires member states to surrender a significant por-
131 tion of their political sovereignty to the EU’s supranational institutions. The
132 end of the process is a federation with varying degrees of centralization
133 – the US, Brazil, and Russia are some of the most successful examples of
134 such regimes.

136 The policy implications of these findings are extremely important for the
137 future of the EU. Our structural analysis of relative power based on eco-
138 nomic output comparisons shows that the EU cannot be a serious global
139 actor if individual member states choose to act alone. Moreover, the inter-
140 nal challenges facing the EU are monumental. Here we explore three:
141 fiscal/financial, migration, and security (CFSP), considering the effects of
142 Brexit on each. The EU cannot compete with the other global giants (e.g.,
143 the US, China, etc.) unless it finds sound solutions to these challenges.
144 Recall that in [Chapter 5](#) we employed macro- and micro-analytic meth-
145 ods to address these issues, to determine the structural relations with other
146 major powers and to see whether member states, based on their respec-
147 tive governments' preferences, could conceivably find agreeable policies.
148 These challenges, and other policy disagreements among member states, are
149 detrimental to the EU's goal of becoming a global actor.

150 First, the macro-assessments show that in its current state, the EU will
151 continue losing its position in the global hierarchy as China passes the US
152 (thereby making China the largest economic power) and it will become a
153 distant fourth behind India in a matter of 15–20 years. As it stands, the EU
154 can counter regional pressures, but a weaker EU would also be vulnerable to
155 external threats from Russia. As we demonstrate in [Figure 5.4](#), the relation-
156 ship between the EU and Russia is stable through 2035, but unless major
157 political changes take place, the current state of confrontation will persist.
158 Although we do not forecast war, the results indicate the set of precondi-
159 tions for continuing low-level hostilities. Georgia and Ukraine are examples
160 of such hostilities.

161 At the global level, if China and Russia were to get closer, as a result of EU
162 and US policies of isolating the Russians, the probability of conflict between
163 these two countries and the transatlantic allies rises, but the gap between the
164 EU and US on one side and China and Russia on the other persists for the
165 period of analysis, thereby preserving the peace. In sum, the analysis shows
166 that if current interactions are maintained, the stability of the international
167 system will remain in place. However, if the EU, Britain outside the EU,
168 and the US cannot continue to find common ground in NATO, a Russia–
169 China coalition could dramatically increase the chance that the US will be
170 challenged, and global war could follow. A strongly unified EU as part of
171 NATO is essential for global stability.

172 The micro-analysis based on agent-based models provides a shorter but
173 more detailed picture of the near future for the EU. The picture pertains to
174 the chances member states have in strengthening their union and reversing
175 the Eurosceptic trend in the EU, given that Brexit is a formidable chal-
176 lenge to achieving a closer union. Brexit presents a daunting uncertainty
177 for the deepening of integration since it can impact all other policies of the
178 European Union. To estimate what is likely to be the future of integration
179 without the UK, we developed a model that assessed the integrity of the
180 Union in 1990–2017 and then extended our analysis to 2019–2021. The

181 analysis was based on the multinomial regression model in [Chapter 4](#) and
182 used the assumptions of the three trust levels (normal, low, and high levels)
183 (see [Chapter 4](#), [Tables 4.1–4.3](#) and [Chapter 5](#), [Table 5.1](#)). We show that the
184 UK is more likely to seek a hard exit and continue to distance itself from the
185 EU. These results are confirmed by agent-based analysis that anticipates the
186 UK's willingness to agree to a free trade relationship with Europe that does
187 not constrain the UK's future actions. Britain will, however, support NATO
188 and seek to retain all EU and US members within that security arrangement.

189 Other members of the EU, on the other hand, are not expected to exit. The
190 likelihood for further deepening of integration varies with levels of trust. At
191 low or normal trust levels, members will likely stay at their current levels of
192 integration. If trust were to increase, the EU members might take slow steps
193 towards furthering of integration – i.e., from economic union to monetary
194 union. Given current levels of trust among EU members the likelihood to
195 do so, however, is low. For member states already in the EMU, low trust is
196 likely to prevent significant increases in integration regarding fiscal union.
197 If trust increases to normal or reaches high levels, then integration is likely
198 to deepen. Current normal trajectories of trust indicate we should expect a
199 slow integration because trust is dropping not increasing. Individual states
200 with higher projected levels of trust will move at a faster pace of integration.
201 Lastly, these two results indicate a further divergence of a two-speed Europe
202 (see [Chapter 3](#), [Figure 3.1](#)). In sum, we predict that no current member of
203 the EU will exit or members of the Eurozone will drop the euro, despite cur-
204 rent media analysts and those in academic circles who predict further exits
205 to follow Brexit. Even the least-committed EU members are far more com-
206 mitted than the UK. The EU is stable but will face continuing problems if
207 it does not overcome the resistance to further integration that would assure
208 its future stability.

209 We then used agent-based models to assess the likely policies the EU will
210 adopt to face its challenges. The analysis is based on inputs that reflect
211 varying policy preferences of member states. Three challenges dominate the
212 EU agenda: fiscal integration, migration and security. For the fiscal and
213 financial challenges, we show that deepening of integration to include fiscal
214 and financial coordination is not likely in the short term (3–5 years). This
215 result confirms our long-term assessment previously reported (10–20 years).
216 Short of a major dislocation caused by another major economic crisis or a
217 direct security challenge, the EU is expected to continue to muddle through
218 with temporary fixes of its weaknesses – including the retaining of inherent
219 contradictions of its monetary integration. We project that the EU will con-
220 tinue to bring new members into the Eurozone and further complicate the
221 already burdened monetary union. Our findings on this issue are reinforced
222 by a recent announcement by the Presidents of five European Institutions
223 – the European Commission, the European Parliament, the European Central
224 Bank, the European Council (as President of the euro summit), and the

226 President of the Eurogroup – who laid down a roadmap to deepen the Eco-
227 nomic and Monetary Union in the Five Presidents Report.² They propose to
228 move in two stages from July 2015 to 2025, which call for the use of exist-
229 ing instruments and current treaties to boost competitiveness and structural
230 convergence, achieve responsible fiscal policies at national and the Eurozone
231 level, complete the financial union, and enhance democratic accountability.
232 To complete EMU, the report called for far-reaching actions such as a set
233 of commonly agreed benchmarks to make the convergence process more
234 binding. None of these measures, however, goes far enough if the ultimate
235 solution to the challenge is political union.

236 Immigration is an important challenge not only because of its impact on
237 the free movement of EU citizens and refugees from other countries, but also
238 due to the fact that it detracts from integration. We show that immigration
239 from outside the EU is not the fundamental cause of the British move to
240 exit. We also show that a common policy will emerge that satisfies all EU
241 parties including Britain regarding the flow of immigrants from outside the
242 EU, but does not resolve the movement of populations within the EU. The
243 observation of value convergence indicates why migration from outside the
244 EU contributes to negative feelings regarding integration. Our analysis indi-
245 cates that persistent low and declining trust in the EU combined with value
246 distancing set the conditions for Brexit. Unquestionably, migration within
247 the EU produces dislocations but migration from outside the EU dislocates
248 integration further. One reason is that migrants from outside the EU gen-
249 erally have less value convergence with the host population than migrants
250 from member states. We find that establishing safe zones outside the EU is
251 the likely outcome as a European policy option. This is a marked departure
252 from the current status quo that allows migrants to resettle in Europe with
253 controls. Our analysis indicates that the migration crisis will gradually dis-
254 sipate and become a minor issue in the larger policy realm. Hungary and
255 Poland will likely dissent and reject any additional immigration aid outside
256 the Schengen region.

257 The last policy relates to security challenges. The concern is the role of the
258 emerging CFSP and the future of the EU–NATO partnership. Recall that the
259 previous macro-analysis found that the EU and US (NATO) are essential to
260 maintaining the regional and global preponderance needed to insure global
261 stability. Jettisoning the EU–US partnership within NATO places the US at
262 parity with China and at a slight disadvantage against a Chinese–Russian
263 coalition. Assuming that a China–Russia alliance will remain dissatisfied
264 with the status quo, and assuming the current confrontational environment
265 would remain in effect, the dyadic relationship between the EU and US ver-
266 sus China and Russia augurs for peace, while a US faced with a link between
267 China and Russia sets the structural preconditions for global war.

268 With the agent-based model we focused on concerns about EU security,
269 driven in large part by Russia's new challenges. We show that the crisis in
270 Ukraine and near the EU's Baltic member states will likely result in efforts

271 to strengthen CFSP and the EU's involvement in the NATO partnership.
272 A completely unified posture, however, will not emerge. The first problem
273 is the mixed commitments of EU member states (see [Figure 2.5](#)). Austria,
274 Ireland, and to a lesser degree Sweden, indicate that they want to main-
275 tain neutrality. Britain, Denmark, Norway, and Iceland all advocate a strict
276 reliance on NATO. The majority of EU members support a NATO–EU
277 partnership. France, Germany, and Greece want to create a robust CFSP
278 to supplement and even partly replace NATO. We project that despite the
279 initial differences, all European states will coalesce in supporting a NATO
280 framework while increasing the role of the EU in sustaining the Atlantic
281 alliance. Our analysis shows that while the US may currently posture that
282 NATO is not relevant, it will reverse its position following a short flirtation
283 with neutrality. However, in the unlikely event that the US departs from
284 NATO, the EU will seek a unified CFSP led by Germany and France. Such
285 a reorganization requires a reassessment of the EU's Stability and Growth
286 Pact, which puts strict limits on member states' budget deficits. Such limits
287 currently decrease the member states' contribution to defense expenditures.
288 Given the speed and unanimity anticipated in the creation of a strong CFSP
289 following a weakening of NATO, we speculate that such a massive security
290 challenge will spark integration not disintegration.

291 As these results show, the EU has reached a crucial fork on its jour-
292 ney towards a closer union. Policy challenges are substantial and serious
293 enough to threaten stability. Brexit and relations with Russia present addi-
294 tional complications to the smooth advancement of integration. We show
295 that for the EU to overcome these challenges, member states need to take
296 bold steps to establish a political union. Failure to do so promptly is an
297 invitation for disastrous consequences if another financial crisis or an unex-
298 pected security crisis should occur. Deepening of integration will no longer
299 be possible through simple reliance on the German regional leadership or
300 even a German–French coalition. For deepening of integration beyond the
301 EMU, significant increases in trust towards the EU among citizens and fur-
302 ther convergence of their values must occur. We believe that our analysis
303 provides an impartial assessment of opportunities for further integration or
304 disintegration in Europe. Our fervent hope is that this work will inspire the
305 builders of Europe to advance and build upon Monnet's vision – failure to
306 do so would relegate Europe to a secondary role, creating a major vacuum
307 in world affairs.

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Notes

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- 1 William H. Riker, *Federalism: Origin, Operation, Significance*. Boston: Little, Brown, 1964; Maria Joao Rodrigues, *For a Genuine Economic and Monetary Union: Lessons from the International Experience*, Policy Paper 88 (Paris: Norte Europe, Jacques Delors Institute, 20 March 2013).
- 2 Jean-Claude Juncker, Donald Tusk, Jeroen Dijsselbloem, Mario Draghi, and Martin Schulz, *Completing Europe's Economic and Monetary Union* (Brussels: European Commission, 2015).

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AQ1. Please carefully check the accuracy of names and affiliations.