

6 Conclusions

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

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

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

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

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

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

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

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

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

Based on these observations, we can say that the integration process generates gains (economies of scale) but also dislocates existing economies. We find evidence to support William Riker’s insight that monetary unions are inherently unstable unless they are coupled with a political union, which includes a fiscal union.⁴¹ Semi-integrated unions like the EU (i.e., EMU without a fiscal union) are prone to monetary dislocations that cannot be effectively resolved without deepening integration. Yet, despite its pivotal importance for the survival of EMU, achieving political union is easier said than done. This step requires member states to surrender a significant portion of their political sovereignty to the EU’s supranational institutions. The end of the process is a federation with varying degrees of centralization – the US, Brazil, and Russia are some of the most successful examples of such regimes.

The policy implications of these findings are extremely important for the future of the EU. Our structural analysis of relative power based on economic output comparisons shows that the EU cannot be a serious global actor if individual member states choose to act alone. Moreover, the internal challenges facing the EU are monumental. Here we explore three: fiscal/financial, migration, and security (CFSP), considering the effects of Brexit on each. The EU cannot compete with the other global giants (e.g., the US, China, etc.) unless it finds sound solutions to these challenges. Recall that in Chapter 5 we employed macro- and micro-analytic methods to address these issues, to determine the structural relations with other major powers and to see whether member states, based on their respective governments' preferences, could conceivably find agreeable policies. These challenges, and other policy disagreements among member states, are detrimental to the EU's goal of becoming a global actor.

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

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

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

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

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

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

01 President of the Eurogroup – who laid down a roadmap to deepen the Eco-
 02 nomic and Monetary Union in the Five Presidents Report.⁴² They propose to
 03 move in two stages from July 2015 to 2025, which call for the use of exist-
 04 ing instruments and current treaties to boost competitiveness and structural
 05 convergence, achieve responsible fiscal policies at national and the Eurozone
 06 level, complete the financial union, and enhance democratic accountability.
 07 To complete EMU, the report called for far-reaching actions such as a set
 08 of commonly agreed benchmarks to make the convergence process more
 09 binding. None of these measures, however, goes far enough if the ultimate
 10 solution to the challenge is political union.

11 Immigration is an important challenge not only because of its impact on
 12 the free movement of EU citizens and refugees from other countries, but also
 13 due to the fact that it detracts from integration. We show that immigration
 14 from outside the EU is not the fundamental cause of the British move to exit.
 15 We also show that a common policy will emerge that satisfies all EU parties
 16 including Britain regarding the flow of immigrants from outside the EU, but
 17 does not resolve the movement of populations within the EU. The obser-
 18 vation of value convergence indicates why migration from outside the EU
 19 contributes to negative feelings regarding integration. Our analysis indicates
 20 that persistent low and declining trust in the EU combined with value dis-
 21 tancing set the conditions for Brexit. Unquestionably, migration within the
 22 EU produces dislocations but migration from outside the EU dislocates inte-
 23 gration further. One reason is that migrants from outside the EU generally
 24 have less value convergence with the host population than migrants from
 25 member states. We find that establishing safe zones outside the EU is the
 26 likely outcome as a European policy option. This is a marked departure
 27 from the current status quo that allows migrants to resettle in Europe with
 28 controls. Our analysis indicates that the migration crisis will gradually dis-
 29 sipate and become a minor issue in the larger policy realm. Hungary and
 30 Poland will likely dissent and reject any additional immigration aid outside
 31 the Schengen region.

32 The last policy relates to security challenges. The concern is the role of the
 33 emerging CFSP and the future of the EU–NATO partnership. Recall that the
 34 previous macro-analysis found that the EU and US (NATO) are essential to
 35 maintaining the regional and global preponderance needed to insure global
 36 stability. Jettisoning the EU–US partnership within NATO places the US at
 37 parity with China and at a slight disadvantage against a Chinese–Russian
 38 coalition. Assuming that a China–Russia alliance will remain dissatisfied
 39 with the status quo, and assuming the current confrontational environment
 40 would remain in effect, the dyadic relationship between the EU and US ver-
 41 sus China and Russia augurs for peace, while a US faced with a link between
 42 China and Russia sets the structural preconditions for global war.

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

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

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