

# Integrating Diversity in the European Union (InDivEU)

## Report on scenarios for differentiation and other forms of flexibility

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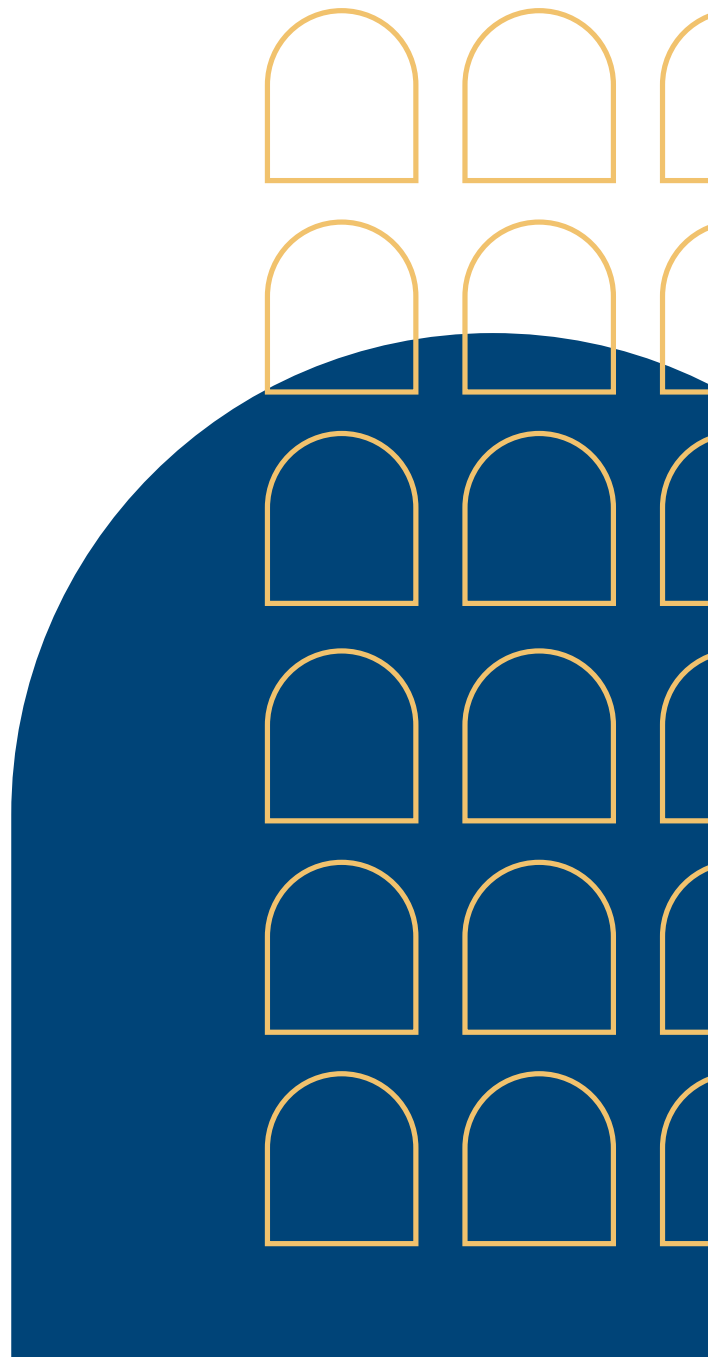
### Research Project Report

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## Executive Summary

This report develops two sets of scenarios on the future use of differentiation and flexibility in the European Union. The exercise is based on an in-depth analysis of the relevant literature and empirical evidence on scenario-planning, the forecasting and foresight of key future trends, and differentiated integration and flexibility. The first set of scenarios, 'European landscapes 2035', presents four narrative scenarios on future internal integration: 'Highland Europe' (uniform integration), 'Mountainous Europe' (differentiated integration), 'Lowland Europe' (uniform disintegration), and 'Archipelago Europe' (differentiated disintegration). The second set of scenarios, 'Love thy neighbour 2035', presents three analytical scenarios on future external integration: 'Extended family' (EU enlargement), 'Close-knit community' (external integration), and 'Good fences make good neighbours' (external disintegration). The two sets of scenarios offer to policymakers, experts, and citizens a useful tool to think about the future of the EU, stimulate an informed debate on desirable visions, threats, opportunities, and strategic choices, and assist the design the appropriate institutional, legal, and political solutions.

## Keywords

Differentiated integration, flexible integration, European Union, scenario-planning, foresight.

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# 1 Aim, methodology, and structure

This report aims to build scenarios on the future use of differentiation and other forms of flexibility in the European Union, thereby contributing to the ongoing academic and political debate on the 'Future of Europe' (Damro, Heins, and Scott 2021; European Commission 2017, 2021a).

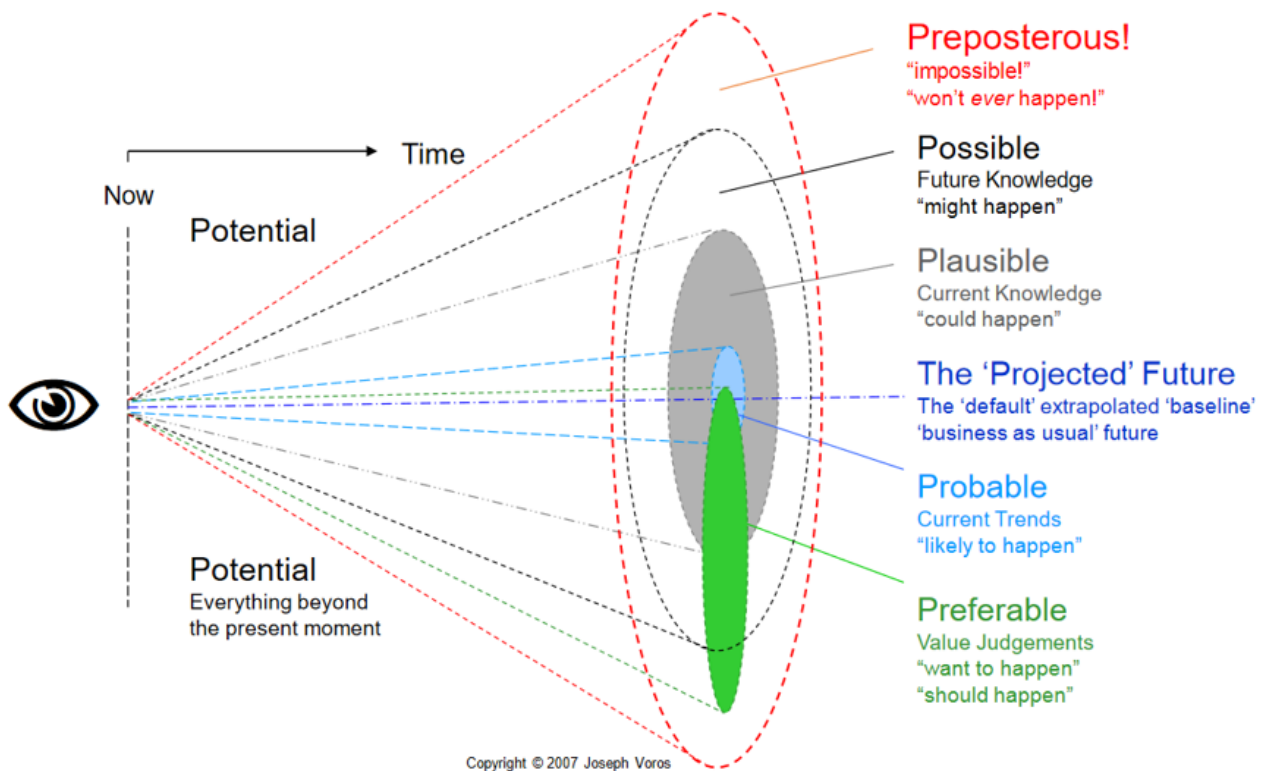
At the simplest level, a scenario can be defined as 'a postulated or projected situation or sequence of potential future events' (Oxford English Dictionary). The activity of predicting and assessing simple consequences or more complex scenarios represents a fundamental and unavoidable aspect of any future-oriented analysis, decision-making process, and human activity, whether it involves a conscious or unconscious process, a simple or complex issue, and an intuitive or highly structured methodology. Brains automatically predict the immediate consequences of external events and individual actions, in order to avoid threats and achieve desired goals: for instance, swerving to avoid an object flying in one's direction or moving the hand in a certain way to grab a cup. Individuals try to predict the future with heuristic or rational techniques to select the most promising goals, means, strategies, and actions. Groups do the same, engaging in a continuous process of debate and persuasion which must take into account the likely outcomes of each choice. Scholars constantly seek to identify, model, and explain past patterns in the natural and social world; the resulting deterministic laws, probabilistic tendencies, or qualitative insights can then be implicitly or explicitly applied to predict future outcomes and orient action. Decision-makers in firms, organizations, and politics devote much time and resources to attempts to forecast short- and medium-term future developments, assess the outcomes of specific courses of action, and accordingly adjust the strategy, structures, and activities of their organization. Entire professions (e.g. policy analysts, forecasters, strategists, planners, management experts, foresight specialists, and futurologists) and specialized departments have developed to assist them in this endeavour, devoting their entire efforts to exploring the future and bridging the gap between scientific knowledge and practical success. In addition, scenarios can also be developed for theoretical, learning, inspirational, or aesthetic purposes: for instance, to spell out the consequences of a hypothesis, to visualize a political utopia or dystopia, or to write a science-fiction novel.

For our purposes, scenarios can be used as useful tools to think in a structured manner about the future of the European Union as well as about the possible use of differentiation and flexibility as a means to achieve 'desirable futures'. This raises several theoretical and methodological questions, as the multidisciplinary literature includes a large variety of options for the building, assessment, and use of scenarios. This first chapter is devoted to a review of the relevant literature, the choice of the most appropriate options, and explanation and justification of the methodology adopted.

## 1.1 Thinking about the future

Despite the efforts of natural and social scientists to unearth fundamental laws, regularities, and developmental trends in the course of human events, the future remains largely uncertain and unpredictable. A useful way of thinking about these issues is the 'futures cone' (Voros 2017), depicted in Figure 1.1, which distinguishes between preposterous, possible, plausible, probable, projected, and preferable futures. The terms, as all references to likelihood in this report, are to be understood in a loose way, not as states with precise mathematical odds attached but as qualitative categories suggesting the expected chance of certain events to happen on the basis of reason, past experience, and current knowledge of causal mechanisms.

**Figure 1.1. Voros' 'futures cone'**



Source: Voros (2017).

A limited number of future events, trends, and action outcomes can be predicted with absolute certainty under controlled conditions: for instance, on the basis of mathematical principles, logical principles, and physical laws. Most phenomena, however, exhibit an enormous range of theoretically 'possible' variation (what might happen according to the known and yet unknown rules of the universe). This is the result of three kinds of issues: the intrinsically random or chaotic nature of some phenomena, which makes them fundamentally unpredictable (although probabilities can sometimes be attached to their outcomes); the complexity of other phenomena, which are determined by the interaction of an enormous number of distinct variables and actors which cannot be fully identified, modelled, or computed at the present state of knowledge; and the impact of human agency, which allows people to react to external events, reflect on social structures, and purposely try to reproduce or change them. As a consequence, the forecasting of future trends and their projected outcomes is a necessary but highly speculative endeavour, which will inevitably diverge to a lesser or greater extent from actual developments.

A host of techniques are routinely used to whittle down 'possible' variations to smaller ranges of 'plausible' (what could happen on the basis of existing knowledge) and 'probable' (what is likely to happen if current trends persist) ones. However, these ranges may still be very large, the assumptions of the prediction may be upset by unaccounted variables or unexpected events, or no reliable prediction can be offered due to the intrinsic nature of the phenomenon or methodological issues. As a rule-of-thumb, the trajectory of near, natural, simple, linear, and slow-moving trends can often be predicted with a satisfactory degree of accuracy and reliability, while the trajectory of far, human, complex, non-linear, and fast-moving ones is more problematic. The scenario-planning literature suggests to operate a careful distinction between 'predetermined events' and 'critical uncertainties' (Chermack 2011: 127–29) according to their plausible range of variation in relation to the requirements of the scenario (e.g. purpose, time frame, precision needed). For instance, short-term population forecasts are usually fairly accurate, as most of their determinants (existing population, fertility and mortality rates, life expectancy) are slow-moving and net migration tends to be quantitatively limited; however, rare events (wars, famines, epidemics, mass migration) or political choices (genocides, migration policies, natalism and family planning) may still determine substantial errors. Gross Domestic Product forecasts are rarely accurate, as

they depend on a complex interaction of objective and subjective factors; however, their normal range of annual variation is rarely very large (say, +/- 10 per cent). Finally, the prediction of phenomena such as economic recessions, scientific and technological discoveries, natural disasters, and political events tends to be little more than educated guesswork: we know that something is bound to happen sooner or later, we can identify some facilitating and hindering factors, but their occurrence and consequences are unlikely to conform to our expectations.

In our case, we are interested in determining the range of 'plausible' and 'probable' development of the European Union in the medium-term, typically operationalized as a period lasting 5 to 30 years. A time horizon of fifteen years, from 2020 to 2035, seems appropriate to allow a sufficient variation of events and outcomes from the status quo while retaining some degree of realism. It should be obvious that any such prediction is unlikely to be very accurate in retrospect. Firstly, we are dealing with an extremely large number of causal factors and actors interacting in complex ways to affect a continental entity (the European Union) in a global environment. Secondly, many of these factors follow a somewhat predetermined and slow-moving course, but fifteen years are a sufficient time to generate a substantial amount of variation, trend reversals, and unexpected events. Thirdly, we must follow developments over many distinct policy areas and issues, each of which has distinctive causes, dynamics, and outcomes. Fourthly, the size of the EU allows it to partly neutralize the impact of its external environment or even shape it, thereby reducing the deterministic impact of global trends and increasing the scope for purposeful agency. Fifthly, the EU and its various actors (supranational and national institutions, political parties, interest groups, citizens) can purposely try to change its goals, internal structure, and the direction and content of its activities as they see fit, albeit institutional and structural factors constrain both their chances of success and the ultimate outcomes of the policies adopted. Finally, many mechanisms remain scientifically poorly understood or empirically and normatively controversial: for instance, political scientists disagree on the appropriate definition of integration and differentiation, economists have not found a consensus on the recipe for economic growth, and philosophers provide solid arguments for a variety of criteria and positions allowing the normative assessment of actions and outcomes.

Nevertheless, an in-depth exploration of past trends and an evidence-based prediction of future ones remain essential to define the contours of 'probable', 'plausible', and 'preferable' futures, to identify expected outcomes and trade-offs, and to stimulate a strategic reflection on desirable changes in the goals, legal and institutional structures, capabilities, policies, and activities of the EU. Such exploration will be carried out in chapter 2 and 3, outlining what we currently know about the future of the EU and the tools of differentiation and flexibility, and will inform the building of scenarios in chapter 4 and 5.

## 1.2 The building of scenarios

Scenario-building is a common practice in all kinds of theoretical, empirical, and practical activities concerned with exploring the future, making predictions, or orienting action: from military strategy to weather forecasting, from business studies to the gaming industry, from the applied social sciences to the moviemaking. Distinctive methodologies and traditions have emerged in several disciplines, particularly in the fields of forecasting (Armstrong 2001), strategic foresight (Chermack 2011; Godet and Durance 2011; Van der Duin 2016; Wilkinson 2017), and policy analysis (Bardach 2012; Van der Steen 2017). A review of the relevant literature leads to the identification of five critical methodological choices, which should be understood not as binary options but as the extremes of a continuum.

First, scenarios can be used as a merely predictive tool, aimed at accurately forecasting future developments, or as a strategic tool, aimed at facilitating the identification of a desirable and effective courses of action. For our purposes, the latter option is clearly the most appropriate, as it can better contribute to the academic, policy, and political debate on the future of the EU.

Second, scenarios can be quantitative or qualitative. Quantitative scenarios are the result of a formal modelling effort aimed at providing a realistic representation of the key relevant variables and their interaction. The parameters of the models can be set at specific values to create a baseline scenario (the most likely one), which can then be used to obtain a precise prediction of outcomes or to 'wind-tunnel' (test, optimize, and revise) the strategies, activities, and features of the organization. By altering the pa-



parameters of the model, new scenarios can be generated to develop new predictions, contingency plans, and more robust and resilient strategies. Due to their complexity, such sophisticated models and scenarios can only be built and understood by experts, which then pass on to decision-makers only their summary results. Qualitative scenarios follow a similar logic but use intuitive and narrative methods to create a limited number of simpler, plausible, and challenging written scenarios: typically 3 to 5, often generated with a 2x2 Scenario Matrix. Albeit less realistic, qualitative scenarios enable the exploration of complex problems which cannot be precisely modelled and are better suited to stimulate strategic thinking in the organization as a whole, challenging current thinking, creating a shared understanding of key threats and opportunities, and fostering strategic preparedness and flexibility. For our purposes, the choice of quantitative scenarios must be ruled out on practical grounds; nevertheless, the qualitative process will not be arbitrary but will be based on an in-depth exploration of key trends, mechanisms, and choices affecting the medium-term evolution of the European Union.

Third, qualitative scenarios vary in their emphasis on external elements, that is factors on which an organization has no direct influence, and internal elements, that is factors which can be controlled and purposely changed by decision-makers. Some assume a fixed external environment and changing strategies, looking at how each of these lead to more or less desirable future consequences. Other assume a fixed strategy and a changing external environment, looking at how the former fares under a range of different conditions. Finally, most let both conditions vary at the same time, showing how the organisation might adapt to a changing environment. For our purposes, the latter option is clearly the most appropriate, as we are interested in exploring both the potential outcomes of alternative policy choices (e.g. differentiation vs uniformity) and the potential impact of changed external and internal conditions (e.g. economic shocks, results of intergovernmental negotiations, public opinion shifts).

Fourth, the scenario-building process can be participatory, where a scenario planner guides a group of participants (typically, a selection of decision-makers and employees of an organization) in developing own scenarios on the basis of their priorities and experience through a series of workshops and assignments lasting from 3 to 18 months, or expert-led, where an analyst or scholar autonomously develops the scenarios on the basis of the best available empirical evidence. The former option is clearly favoured in the literature, as it enhances their policy relevance and contributes more directly to the 'strategic conversation' taking place within the organization (Chermack 2011). For our purposes, however, two reasons force the choice of the latter option. On the one hand, an exercise involving a selection of actual key decision-makers in the European Union (high-ranking members of national governments, supranational and national institutions, bureaucracies, political parties, and large interest groups in 27 member states) is unfeasible. On the other hand, the planned involvement of less prominent stakeholders in the framework of the InDivEU Stakeholder Forums has been limited by the COVID-19 pandemics and by time constraints, allowing a collection of their opinions on differentiated integration but not a proper engagement in the process of scenario-building.

Fifth, scenarios can be analytical, providing a factual description and analysis of a future situation and the events leading to it, or narrative, creating a memorable story with the tools of creative writing (vivid titles, colourful images, lively plots and storytelling). The former are preferred in academic and technical contexts but the latter are recommended for an use within organizations and a dissemination among stakeholders and the broader public, as their more appealing format encourages participation, engagement, mnemonic retention, and subsequent use in debate and action. For our purposes, a mixed position seems preferable, adopting a moderately narrative style for scenarios concerning the overall contours of European integration (chapter 4) but an analytic style for scenarios concerning specific policy choices (chapter 5).

Summing up, our scenario-building exercise will roughly follow, with some variations, the prescriptions of the 'Anglo-Saxon school' of scenario planning (Chermack 2011). Our goal is to create sets of paradigmatic accounts of challenging yet plausible 'possible futures' of European integration. Scenarios will be strategic and qualitative, highlighting the consequences of key pressures and choices in order to stimulate a broad debate on their desirability and the legal, political, and policy adaptations required to move from the status quo toward one (or none) of the scenarios. The relevant building blocks of the scenarios will be identified through an in-depth expert exploration of the factors most likely to affect the future of the European Union by 2035 (chapter 2) and the tools of differentiation and flexibility (chapter



3), based on a review of the relevant scientific literature and evidence and the findings of the InDivEU project. Two sets of scenarios will then be developed in an expert-led fashion, focusing on the essential choices focusing the EU as a polity and their repercussion in its main policy areas. The first set of narrative scenarios, named 'European Landscapes 2035' and described in chapter 3, encompasses four scenarios concerned with internal integration and differentiation: 'Highland Europe' (uniform integration), 'Mountainous Europe' (differentiated integration), 'Lowland Europe' (uniform disintegration), and 'Archipelago Europe' (differentiated disintegration). The second set of analytical scenarios, named 'Love thy Neighbour 2035' and described in chapter 4, encompasses three scenarios concerned with external integration and differentiation: 'Extended family' (EU enlargement), 'Close-knit community' (external integration), and 'Good fences make good neighbours' (external disintegration). Each scenario will have a length of 500–1,000 words, conveying all essential information without overburdening the attention of readers.

In this context, it is worth highlighting the differences and similarities of this exercise from previous attempts to apply scenario-planning to the field of European integration. In 1999, the Forward Unit of the European Commission developed a set of scenarios for the EU in 2010 (Bertrand, Michalski, and Pench 2000). Each of the five scenarios, 'Triumphant markets', 'The hundred flowers', 'Shared responsibilities', 'Creative societies', and 'Turbulent neighbourhoods', provides a long account (about 4,000 words) of the impact of many external and internal variables (10–15) across a large number of policy areas over a 10-year horizon. The scenarios are developed in a participatory manner over two years with a 'shaping actors-shaping factors' methodology inspired by the 'French school' of scenario-planning. The approach of this report is somewhat similar but simpler and more conservative: a smaller number of variables and details, an expert-led process, and less variation of the variables over a longer time frame. In 2017, the European Commission developed a set of scenarios for the EU in 2025 (European Commission 2017). Each of the five scenarios, 'Carrying on', 'Nothing but the single market', 'Those who want more do more', 'Doing less more efficiently', and 'Doing much more together', offers a short account (about 700 words) of the results of different strategic choices of EU leaders against a largely fixed external environment over a 7-year horizon, built in an expert-led manner with a methodology mixing scenario-planning and policy analysis. The approach of this report retains a similar primary focus on strategic choices but is less conservative and agency-focused, allowing for a wider range of integration and disintegration options (e.g. Treaty reforms, accession and withdrawal, major scale-up and scale-back of individual policies) and substantial variations in the external environment. In 2021, a group of academics developed a large series of scenarios for the EU as a whole and ten specific EU policy areas in 2050 (Damro, Heins, and Scott 2021). Each set of scenarios, predictive, analytic, and built in an expert-led manner with a 'social science' methodology, is the result of the possible evolution of external and internal factor over a 30-year horizon; the overall likelihood of each scenario is also assessed. The approach of this report relies on their findings but adopts a strategic approach ('plausible' rather than 'probable' futures) and incorporates narrative methods. Finally, many predictive and strategic scenarios have been developed with a narrower focus on specific EU policy areas or issues (Amann et al. 2014; Banister et al. 2000; Kudzko 2020). Beyond the differences already highlighted, this report provides the first attempt to develop scenarios for the overall future of the EU with a systematic focus on differentiation and other forms of flexibility, covering both internal and external differentiation.

### 1.3 The evaluation of scenarios

An explicit evaluation of the scenarios and their expected outcomes against positive or normative criteria, as it is commonly done in the field of policy analysis (Bardach 2012), is neither possible nor desirable in our case, for three main kinds of reasons.

Firstly, an explicit evaluation is at odds with the scenario-planning methodology adopted, which purposely develops qualitative, exemplary, and slightly extreme scenarios, aims not at accurately predicting outcomes but rather at fostering strategic preparedness for an uncertain future, and leaves to each participant and reader the freedom to draw her own conclusion about desirability of the various options and outcomes (Chermack 2011).

Secondly, the object of our scenario-building exercise, the development of European integration over

the next 20 years, is so complex as to make a precise and reliable projection of future outcomes virtually impossible. On the one hand, the sheer number and nature of the issues, design choices, and causal variables involved rule out the possibility of building a realistic quantitative model providing precise quantitative outputs (e.g. gains of integration expressed in monetary terms) for any given combination of inputs. Furthermore, random variations in the external environment may completely overwhelm the effects of conscious policy choices: for instance, while increased internal trade may generally be beneficial to growth, a poorly integrated EU in a period of economic boom is likely to exhibit better results than a highly integrated one in a period of economic depression. In fact, even ex-post empirical analyses of the overall benefits of European integration have only come up with partial and controversial results which cannot be easily disentangled from the effects of unrelated processes (e.g. endogenous economic processes, globalization, national policies, geopolitical pressures) and compared with a full range of realistic alternatives, which is why net benefits are rarely calculated and tend instead to be simply postulated or derived from the perception and behaviour of governments and citizens (Chiocchetti 2021a). On the other hand, the scenarios developed in this report represent exemplary individual points on an a much broader range of plausible future events, each exhibiting slightly or markedly different sets of outcomes. Thus, even if a rough guesstimate of their costs and benefits were possible, small variations in the parameters could completely upset their final balance and relative ranking: for instance, a deepening of uniform integration among the current EU27 countries may generally be beneficial but pursuing it at the price of a withdrawal of a reluctant member state may lead to worse results than the status quo. Finally, many mechanisms and their outcomes are still poorly understood and controversial: for example, in the field of economic policy, the debates on the relative virtues of balanced budgets or deficit spending, fixed or flexible exchange rates, supranational centralization or national autonomy, fiscal transfers or national responsibility, export-led or demand-led growth models, activist or liberal policies, and other similar issues are not at all settled, with shifting majorities and minorities of scholars and schools advocating either option.

Thirdly, the assessment of outcomes is an inherently normative endeavour depending on the diverging ‘philosophical principles, political worldviews, social and personal interests, and individual preferences and sensibilities’ of each observer (Chiocchetti 2021a). In policy analysis, this problem is often resolved by adopting criteria forced on the organization by its external environment (e.g. legal requirements, profitability criteria, survival) or the arbitrary goals selected by the decision-makers commissioning the report (e.g. minimizing CO<sub>2</sub>-emissions). In our case, however, the EU is an open-ended complex organization not subject to immutable goals and unsurmountable environmental pressures: while it is currently following a specific set of legal requirements, goals, policies, and activities, these can in principle always be adjusted or radically altered by the outcome of the struggle between its various internal actors, particularly member states governments and supranational institutions. In turn, each actor is bound to have a different assessment of the desirability of specific courses of action. Thus, the adoption of any specific or ‘majority’ normative standpoint would close off the debate or lead to a mere continuation of current thinking, while the aim of the scenario exercise is precisely the opposite: explore alternative options and stimulate the reflection and debate on new problems and solutions.

Yet, scenarios entirely devoid of any realistic expectation about likely outcomes would be useless as a guide for action. Similarly, an objective presentation of outcomes free of any reference to normative criteria would be indiscriminate (which relevant and important outcomes should be selected from the thousands of irrelevant or secondary ones?), unable to provide essential information to the reader (how can objective facts be interpreted?), and unnatural (except in very technical kinds of discourses which implicitly presuppose a shared frame or reference among its users). Thus, some objective and normative criteria must be incorporated in the construction and presentation of the scenarios.

This contradiction is solved, hopefully satisfactorily, in the following manner. The scenarios will be built on the basis of the best available objective evidence on the future development of causal mechanisms, trends, objective outcomes, and their likelihood (chapters 2 and 3). Commonly used normative criteria and positions will be included but presented as ‘arguments’, with an effort to impartially cover both sides of the coin. Finally, outcomes and arguments will be embedded in each scenario but will not be explicitly assessed, leaving to the reader the freedom to critically review and judge them. To avoid a biased presentation, each scenario will exhibit a plot with a relatively balanced distribution of allegedly

‘positive’ and ‘negative’ outcomes and a sympathetic or neutral narrator outlining both favourable and unfavourable arguments. Altogether, each scenario set will present a juxtaposition of 3-4 different plots and narrative voices, exposing the reader to a wide but manageable range of outcomes and arguments and thereby stimulating an aware and critical reflection on the key technical and political issues at stake.

## 1.4 The use of scenarios

The two sets of scenarios developed in this report will have two main kinds of policy-relevant applications.

Their primary function is to serve as a critical input to the ongoing debate among decision-makers, stakeholders, scholars, and citizens on the future of the European Union. First, the scenarios will allow readers to acquire shared and memorable mental models to discuss issues related to European integration and differentiation. The visualization of a range of exemplary ‘plausible futures’ will also enable them to better understand their possible causes, features, and outcomes and to disentangle the impact of key strategic choices, including the role played by different forms of differentiation. Second, the scenarios will encourage readers to assess the desirability of each alternative and autonomously determine a preferred direction (either or neither of the proposed options) with a stronger awareness of their probable strengths, weaknesses, and interconnections. Finally, the scenarios will stimulate the strategic conversation among policymakers and experts on the most effective methods to achieve their aims, feeding the reflection on the selection and design of legal, institutional, and policy tools.

A secondary function is to serve as a foundation for further application and development by practitioners. On the one hand, the two sets of scenarios may be freely used and developed as academic, learning, debating tools in publications, brochures, classroom lectures, workshops, exhibitions, and board or computer games. On the other hand, their story lines and their underlying model may be helpful to assist the generation of further alternative EU-related scenarios or compatible micro-scenarios with a sectoral or issue-based focus.

Therefore, a wide dissemination of the report is recommended, both on internal channels (InDivEU website and social media) and on external ones (publications, EU institutions, stakeholders, mass media).

## 1.4 Summary

The aim of this report is the building of useful scenarios on the future use of differentiation and flexibility in the European Union.

Scenarios are a tool to think about the future in a structured and challenging way and are widely used by scholars and practitioners to model and predict change, visualize the implications of external developments and purposeful choices, and stimulate strategic thinking. Some try to forecast the most likely ‘probable future’ while others try to depict particularly interesting ‘plausible futures’. A review of the relevant literature shows the existence of a variety of existing methodologies of scenario-planning, each exhibiting distinctive goals, choices, and methods. A critical discussion of the possible options leads to the calibration of the specific methodology adopted in this report: strategic, qualitative, allowing both external and internal elements to vary simultaneously, expert-led, and combining narrative and analytical styles, following with some adaptations the ‘Anglo-Saxon’ scenario-planning template most prevalent in firms and organizations. This approach will guide the actual process of developing the scenarios in the next chapters: a preliminary exploration of forces shaping the internal and external environment of the EU by 2035 (chapter 2), a synthesis of the state of the art on differentiation and flexibility (chapter 3), the creation of four scenarios for internal integration (chapter 4), and the generation of three scenarios for external integration (chapter 5). A final chapter will summarize the main findings of the report (chapter 6).

An explicit evaluation of the outcomes of the different scenarios with the typical tools of policy analysis is found to be neither possible nor desirable, as it would produce unreliable and uninteresting results and would undermine the very rationale of the scenario-building exercise, which aims to contribute

to the strategic and normative debate on the 'Future of Europe' between policymakers, experts, and citizens with different interests, preferences, and sensibilities. The relevant expected outcomes and normative arguments will be directly embedded in the scenarios, with an effort to avoid implicit biases, leaving to each reader the freedom to examine and evaluate them according to her specific interests, preferences, and sensibilities.

The resulting two sets of plausible, challenging, and policy-relevant scenarios will offer to readers a useful tool to think about the future of the EU, stimulate an informed debate on desirable visions, threats, opportunities, and strategic choices, and assist the design of appropriate institutional, legal, and political solutions. In addition, they could serve as the foundation for further application and development as learning, discussion, and scientific tools.

## **2. What we know about the future of the EU: agency, trends, and uncertainty**

The future of the EU is by definition uncertain and will be determined by a complex interaction of agency and structural factors, predetermined trends and unpredictable shifts, and actions and reactions of purposeful actors. Nevertheless, an in-depth exploration of the key factors suitable to affect its future evolution is imperative to discriminate between unlikely, plausible, and likely developments and thereby identify the appropriate building blocks for the scenarios.

The second chapter of this report carries out this task through an expert analysis of the relevant scholarly literature and empirical evidence. The first section explores the factors related to the internal environment of the EU, identifying the possible development of its goals, visions, and organization. The second section explores the factors related to the external environment of the EU, identifying the possible development of global macrofactors and proximate mesofactors. The third section provides a synthetic assessment of the impact of all factors on the future course of European integration.

### **2.1 Internal environment**

The first step of the exercise is an analysis of the internal environment of the European Union. The sociological, politological, military, and managerial literature identifies a large number of key analytical variables for the analysis of organizations and institutions: in particular, goals, means, resources, organizational forms, structures, and processes, cohesion, culture, leadership, strategies, and activities (Gibbons and Roberts 2013; Lowndes, Marsh, and Stoker 2017; Paret, Craig, and Gilbert 1986; Rummler and Brache 2012; Scott 2013; Swanson 2007). For our purposes, it is sufficient to single out three aspects: goals, visions, and organization. Goals are the ultimate aims toward which the EU does or might strive. Visions are synthetic representations of the governance frameworks and policies deemed necessary to achieve the above-mentioned goals. Organization encompasses the resources, means, processes, and activities deployed to pursue goals and visions. The study of internal factors assumes that the EU as an organization is endowed with agency which can purposely reflect on, adopt, and seek to pursue meaningful goals, visions, policies, and activities. Being a complex organization, this agency does not flow from a unitary decision-making centre but is the result of complex bargaining and decision-making processes involving a large number of influential actors and veto players (e.g. national governments, supranational institutions, national parliaments, courts, and electorates, political parties and interest groups), each of them pursuing specific goals and none of them enjoying a clear dominance. The success of the EU in pursuing its goals naturally depend on a variety of subjective, intersubjective, and objective constraints, such as the appropriateness of the means employed and the impact of the external environment. A detailed estimation of past and future patterns of goals, visions, and organization is provided below.



## Goals

The self-declared goals of the European Union are clearly stated in the Treaty on European Union (TUE 2021). Article 3 states that ‘The Union’s aim is to promote peace, its values and the well-being of its peoples’. Article 1 adds that ‘[...] this Treaty marks a new stage in the process of creating an ever closer union among the peoples of Europe [...]’. Other articles and the preamble provide a large number of specifications and secondary goals.

The four main goals emphasized in the Treaties (citizens’ welfare, peace, European values, and political integration) are indeed extensively embedded in the EU’s norms, activities, and discourse, albeit with varying meaning and degrees of emphasis (Arnull and Chalmers 2015; Della Sala 2010; Jones and Menon 2012; Wallace et al. 2020). They also inform the concrete priorities of European institutions: for the period 2019–2024, the European Council identifies four of them (‘protecting citizens and freedoms’, ‘developing a strong and vibrant economic base’, ‘building a climate-neutral, green, fair, and social Europe’, and ‘promoting European interests and values on the global stage’) and the European Commission six of them (‘a European Green deal’, ‘a Europe fit for the digital age’, ‘an economy that works for people’, ‘a stronger Europe in the world’, ‘promoting our European way of life’, and ‘a new push for European democracy’) (European Commission 2019a; European Council 2019). However, they are not a good guide to predict and assess the actual behaviour of the EU.

First, their reality is often questioned in the literature: left-wing critics describe the EU as a capitalist and imperialist project serving the interests of American, transnational, European, or German capital (Dunphy 2004); influential theories suggest the prevalence of the sectional interests of specific social groups, such as large producers, national political leaders, or EU institutions, over those of the general citizenship (Majone 2014; Mattli 1999; Moravcsik 2013); and some authors negate a meaningful impact of EU’s activities in achieving its alleged goals (Andersen, Barslund, and Vanhuyse 2019; Denord and Schwartz 2009; Mearsheimer 1994). Second, the various goals may conflict with each other, with no means to clearly determine their relative importance: for instance, some EU policies may strengthen political integration but produce sub-optimal functional benefits or increase economic welfare but undermine democratic values. Third, goals are typically formulated in a generic and inclusive manner which can accommodate a broad range of concrete priorities, policy directions, and specifications. Forth, actual policy goals and priorities can and do change over time according to the outcomes of the conflict between social, political, ideological, and institutional interests: for instance, in the relative stress on economic growth or price stability, accumulation or redistribution, internal prosperity or geopolitical influence (Chiocchetti and Allemand 2018; Gilbert 2021). Finally, weak environmental and competitive pressures fail to force on the EU the necessary goals which typically apply to smaller organizations (e.g. survival, growth, profitability), leaving decision-makers pretty much free to pursue whichever goals they can agree upon.

Thus, both a clear identification of the ultimate goals of the EU and an assessment of its performance in relation to them are highly problematic. Fortunately, these problems do not affect the analysis of the future development of its key internal features and activities and have little relevance for the building of future scenarios, which can be entirely determined with reference to more concrete internal and external factors. They will therefore not be retained in the final analysis.

## Visions

We can call ‘visions’ the synthetic representations of the desirable features of the EU advocated by specific actors for a given future time frame (in our case, 2035). Visions are inherently normative, as they reflect the interests, preferences, and sensibilities of their proponents. At an individual level, their only limit is set by the desires and phantasy of the person or group creating them. At an aggregate level, however, only one vision can end up being adopted as the predominant focus of the EU’s efforts at any given time. Its features, typically reflecting a broad and partly incoherent compromise, depend on the persuasiveness of each proposal, the relative power of its supporters, and institutional and other factors affecting the decision-making processes. Thus, while possible visions can in principle cover an extremely wide range of possibilities, only a subset of them is plausible and a smaller subset is probable.

The analysis here is restricted to the phases of formulation and adoption of visions, without considering their subsequent implementation or success, which depends on an additional layer of factors.

Visions can vary from each other in many ways. However, three key ‘choices’ are particularly relevant to the building of scenarios for the future of the EU: the desired degree of deepening of integration, the desired degree of widening of integration, and the desired degree of differentiation. Other important aspects, such as political orientation (e.g. left-wing vs right-wing, socialist vs liberal), form of governance (e.g. intergovernmental vs supranational), legal instruments (e.g. EU Treaties, inter se treaties under international law, secondary legislation), procedural rules (e.g. unanimity, qualified majority, simple majority), institutional frameworks (e.g. unitary or separate, political or technocratic institutions), and specific policy designs, have a smaller overall impact and can be applied to the main models without greatly altering their meaning. They will be included in the scenarios whenever appropriate but are not constitutive of them: for instance, an EU focusing on the single market is likely to promote liberal economic policies, but an interventionist alternative is perfectly thinkable. The three choices are discussed below.

*Deepening.* The main choice facing the European Union pertains the desirable ultimate degree of policy and political integration, which may range along a continuum from the unification of member states into a state-like federation (‘strong integration’), through the current state of selective and partial integration of specific competences and policy areas (‘status quo’), to the repatriation of most or all EU competences and activities to the national level (‘strong disintegration’). Supporters of integration point to the positive functional benefits of common policies for states and citizens, its superior coherence with supranational interests and preferences, and its consistence with the goal of an ever closer union. Supporters of disintegration highlight instead the dysfunctions of one-size-fits-none policies and emphasize the functional and democratic advantages of national autonomy and of looser and more flexible forms of international regulation. For most of the history of the EU, the vast majority of relevant actors has tended to subscribe to a vision of ‘incremental integration’ leading to a slow but continuous deepening of integration in existing and new policy areas. However, disagreements on this issue have steadily grown over the past 30 years, as the EU has increasingly encroached on the regulation and exercise of politically sensitive ‘core state powers’ (Genschel and Jachtenfuchs 2014), Euroscepticism has become more prominent among electorates and institutions (Leruth, Startin, and Usherwood 2017), and key elements of the existing framework, such as decision-making rules, the Economic and Monetary Union (EMU), or the Area of Freedom, Security, and Justice (AFSJ), have revealed limits and dysfunctions which are unlikely to be solved with minor adjustments (Magone, Laffan, and Schweiger 2016; Schimmelfennig 2018; Schmidt 2009). This has led to a proliferation of reform proposals within political, policy, and academic circles, with a majority advocating more or less ambitious further integration steps, a minority arguing that integration has gone too far and proposing more or less radical forms of disintegration, and very few defending the status quo (Chiocchetti 2021b). Several options enjoy a significant degree of support among relevant actors and have a plausible chance of being officially pursued by the EU or some of its member states by 2035, particularly in relatively moderate forms. The most likely option probably remains a continued convergence around a course of modest incremental integration, but more ambitious integration initiatives by vanguard groups of countries, paralysis around the status quo, or the pursuit of selective (tacit) disintegration in controversial policy areas cannot be ruled out (Chiocchetti 2021b).

*Widening.* The membership of the European Union progressively expanded from 6 countries in 1958 to 28 countries in 2013, before falling back to 27 countries in 2020. This process of enlargement transformed the EU from the ‘small Europe’ of the Cold War period to a large regional organization encompassing the majority of the sovereign states, territory, population, and economic activity of the European continent. Advocates of enlargement stress the functional and political benefits of increasing the size of the EU by incorporating neighbouring countries. Opponents decry a growing heterogeneity in terms of national trajectories and current conditions, interests and values, preferences and capacities, which may undermine the appropriateness of common policies, decrease the effectiveness of decision-making and administration, and enhance the risk of political blockades. EU enlargement has enjoyed a broad support among relevant actors from the 1970s to the 2000s, but the prospect of the accession of further countries currently faces widespread political resistances among EU elites and public (with the risk of national vetoes to accession), substantial objective hurdles related to the capacity of interested

states to comply with stringent accession conditions, and a lack of interest among many potential candidates (Börzel, Dimitrova, and Schimmelfennig 2017; Dixon and Fullerton 2014; Tatham 2009). Official negotiations are currently open with five countries (Albania, Montenegro, North Macedonia, Serbia, and Turkey), but none of them seems to have great chances of a rapid acceptance as EU member (Böhmelt and Freyburg 2018; Džankić, Keil, and Kmezić 2018; Müftüler-Baç 2016). Other Eastern neighbours have or might apply for membership in the near future (e.g. Bosnia and Herzegovina, Kosovo, Moldova, Ukraine, and Georgia), but their chances seem even lower. None of the Western neighbours (e.g. UK, Switzerland, Norway, various microstates) is interested in joining at present. Finally, the monetary policies of the European Central Bank since 2012 and the tortured course of the first withdrawal of a member state from the EU in 2020 have temporarily reduced the risk of further exits (Reinl and Evans 2021; Tooze 2018), but these cannot be ruled out under less favourable future circumstances. Altogether, the range of plausible options is relatively large, ranging from a sustained further enlargement to the withdrawal of selected national states. However, only stability around 27 countries is very likely.

*Differentiation.* A final fundamental choice concerns the desirable degree of differentiation and flexibility of EU governance. This can take many forms: vertical differentiation, pertaining to the varied degree of integration of different policy areas; horizontal differentiation, pertaining to the varied degree of integration of different EU member states; external differentiation, pertaining to the unilateral or negotiated extension of EU norms to non-members; and various mechanisms to increase or decrease the flexibility of EU norms with reference to their ambition, prescriptiveness, implementation, and enforcement (Chiocchetti 2021b; Leuffen, Rittberger, and Schimmelfennig 2013; Pedreschi and Scott 2020; Schimmelfennig and Winzen 2020; Sielmann 2020). Supporters of the different forms of differentiation and flexibility stress their ability to accommodate heterogeneous preferences and capacities and to overcome decision-making obstacles to further integration. Opponents stress instead their potential to undermine credible commitments, package deals, uniform outcomes, and a shared identity reaching beyond instrumental transactions. So far, EU actors have generally followed a course of ‘reluctant differentiation’ (Chiocchetti 2021b), aiming at the establishment of uniform, constraining, and rigid commitments but pragmatically accepting divergence to accommodate temporary adaptation problems, vital national interests, or widely shared political concerns. While there is little reason to expect a fundamental change in general attitudes until 2035, their interplay with other factors is likely to lead to a limited or greater increase in the overall use of differentiation and flexibility. On the one hand, most proposals aiming at a deepening of integration either focus on already differentiated policy areas (EMU, Schengen, defence) or are hardly feasible without substantial opt-outs and concessions to reluctant countries. On the other hand, accession fatigue favours the pursuit of widening not through enlargement but through external differentiation, with tailored international agreements requiring a close but selective alignment to EU norms without the granting of membership rights.

## Organization

Organizational factors can enable or constrain the ability of the EU to pursue its desired goals and visions. The literature on organizations (firms, NGOs, armies, states) stress the importance of a variety of factors, including material and human resources, knowledge, morale, internal structures, leadership, and the effectiveness and adaptability of strategies. For our purposes, in light of the open-ended and context-specific nature of EU’s aims, it is sufficient to focus on three general-purpose factors: resources, decision-making, and enforcement.

*Resources.* The financial resources directly available to the EU are large compared to those of a typical international organization but modest compared to those of a typical state. A rigid ceiling to revenues has generally been set at around 1.2 per cent of EU gross national income but has substantially expanded for the 2021–27 period, rising to 1.4 per cent of GNI plus an additional ‘temporary’ 0.6 per cent to cover the loans of the Next Generation EU recovery plan; actual expenditures are slightly or markedly lower (Darvas 2020; European Commission 2021c; Laffan 1997). Additional funds and guarantees can be voluntarily provided by member and third countries for specific purposes to the EU or to other non-EU common institutions, such as the European Stability Mechanism. However, the EU can indirectly mobilize potentially very large resources, as it has the power of enacting norms (within its ambit of competences) which are binding and must be carried out at their own expenses by all its



member states. Finally, the creation of a European Central Bank in 1999 endows the EU of a large room for manoeuvre in monetary policy and in the indirect support of economic activity and private and public indebtedness. Altogether, resource-related constraints appear to be more political than material. While direct resources are normally limited, they can in principle be adjusted to match new shared needs, and indirect means can potentially mobilize funds comparable or larger than those of other great powers. Therefore, even though the EU budget is not likely to deviate much from current trends by 2035 (between 2.0 and 1.4 per cent of GDP), this factor does not itself constrain the likelihood of most visions of a future EU, although it remains subject to the decision-making constraints listed below.

*Decision-making.* Procedural decision-making rules in the EU tend to strongly constrain the feasibility of specific courses of action, introducing a strong bias in favour of the status quo. First, the EU can only act within its competences, which must be explicitly conferred by its member states, are enumerated in the Treaties, and are rarely exclusive (Garben and Govaere 2017). Thus, major innovations normally require an amendment of the Treaties, even if European institutions and Court of Justice do sometimes interpret competences somewhat extensively. Secondly, Treaty changes and other important kinds of decisions require the unanimous consent of all member states, often leading to political paralysis, long and costly negotiations, and suboptimal compromises (Falkner 2011; Scharpf 2006). Thirdly, while the competences, institutional provisions, and substantive norms of the Treaties have frequently been adjusted in the past, progressively reducing the applicability of national vetoes, this avenue is at present generally considered quite unfeasible, in light of the number and heterogeneity of member states and the risk of failure in mandatory or optional national referendums. However, a few avenues for more ambitious changes remain open. On the one hand, member states are free to carry out common projects within (e.g. general or special enhanced cooperation procedures) or outside of (e.g. inter se treaties or alternative organizations) the EU legal order, as long as their activities remain compatible with EU law. On the other hand, important policy changes can often be achieved without formal Treaty amendments: for instance, through the secondary legislation, administrative decisions of the European Commission or of the European Central Bank, informal intergovernmental agreements, an innovative jurisprudence of the Court of Justice, or a negotiated withdrawal from the Union with the art. 50 TEU mechanism. This state of affairs is unlikely to change in the medium-term, limiting the likelihood of both disintegration options and the most innovative integration scenarios (e.g. federal integration, further enlargement, open-ended differentiation, decoupling) but favouring a course of slow, incremental, and more differentiated integration.

*Enforcement.* Enforcement mechanisms in the EU are simultaneously very strong and very weak. On the one hand, the constitutional status of EU law (supremacy and direct effect) generally ensures a strict and uniform legal implementation of any binding EU norm by national administrations and courts. On the other hand, the lack of coercive power and the largely indirect administrative character of the EU forces it to rely on the loyal cooperation of national institutions which, if they are really determined to do so, can always try to covertly or openly subvert the application of unwanted norms: good examples are the misuse of structural funds or the ongoing 'rule-of-law' conflict with Hungary and Poland (Fazekas and Tóth 2017; Kelemen and Laurent 2019). While the existing empirical evidence points to a trend toward high and increasing compliance with EU law (Börzel 2021), a future increase into hidden or open forms of noncompliance cannot be excluded.

## 2.2 External environment

The second step of the exercise is an analysis of the external environment of the European Union. An infinitely large number of external factors is potentially suitable to affect its development; yet, the identification of the most relevant, influential, and disruptive factors is essential to anticipate change, devise effective coping strategies, and develop organisational preparedness and resilience. In the managerial and foresight literature, this task is generally understood in terms of 'horizon scanning', the 'macro-environmental' analysis of deep political, economic, social, technological, and other forces (summarized under various acronyms such as PEST or STEEP), and the 'micro-environmental' analysis of short-term trends and competitive strategies (Jenkins and Williamson 2015; Sammut-Bonnici and Galea 2014; Schultz 2006; Van der Duin 2016). Fortunately, there is a broad consensus among scholars and practitioners on the factors most likely to shape the context and process of European integration in the

coming decades. They can be divided into ‘macrofactors’ pertaining to the global environment and ‘mesofactors’ pertaining to the proximate environment. A detailed estimation of past and future patterns of macrofactors and mesofactors is provided below.

## Macrofactors

Macrofactors are global factors which are likely to bring about substantial change of the external environment across countries and policy areas and over which an individual organization has little or no control. While forward-looking, flexible, and lucky organisations can manage to anticipate change and survive or thrive, unprepared, ossified, and unlucky ones cannot adapt and may decline or die. The foresight literature focus on the identification of ‘megatrends’, long-term trends christened by the futurist John Naisbitt (1982) and extensively surveyed ever since. The concept is very useful but one-sided, as it explicitly or implicitly excludes from the analysis influential developments which are not predetermined but instead follow non-linear, trendless, or unpredictable patterns. Therefore, I prefer to survey macrofactors understood as drivers of trends and events, linear and complex patterns, and predictable and unpredictable elements. A critical review of recent horizon scanning exercises (European Commission 2021d; Hajkowicz 2015; Linthorst and de Waal 2020; Zukunftsinstitut 2021) allows us to identify seven macrofactors which are mentioned by most studies and are directly relevant to issues of EU integration and policy-making.

*Ecology.* Ecological change in the late Anthropocene, a new geological epoch generally considered to have started around 1950, has already profoundly affected most aspect of the global natural environment and represents a growing threat to the future quality of life of human societies (Lewis and Maslin 2015; Steffen et al. 2015). First, global warming is expected to cause major adverse effects such as rising sea levels, heatwaves and extreme weather events, desertification, water scarcity, loss of crop and fishing yields, infectious diseases, and climate-related migration; high-temperature outcomes may have truly catastrophic consequences, such as the total melting of polar caps and permafrost, the permanent flooding of large coastal areas, and the waning of oceanic and atmospheric currents. The Intergovernmental Panel on Climate Change provides detailed long-term estimates and predictions of the rise in global surface temperature (IPCC 2021). It pinpoints the 2019 status quo at 1.2 degrees over the pre-industrial average and predicts by 2100 a likely rise to 2.7 degrees (in a scenario with stable annual emissions), 4.4 degrees (in a scenario with doubled annual emissions by 2050), or 1.4 degrees (in a scenario with zero annual emissions by 2050). Containing global warming below 1.5 degrees seems very prudent and beneficial but is quite unlikely in light of current trends, technology, and political will, as even a full implementation of existing policy pledges will at best lead to a rise to 2.4 degrees (Climate Action Tracker 2021). All projections predict an inevitable but relatively small increase to 1.5 degrees by 2035, as both emissions and mitigation policies take time to produce large atmospheric effects. Second, the growing size and level of consumption of the global population elicit worries about a steep rise in prices and ultimate depletion of natural resources (Sverdrup, Koca, and Ragnarsdóttir 2013). The Footprint Network, for instance, estimates in 2017 the global ‘biocapacity’ at 12.1 billion hectares and the global ‘ecological footprint’ at 20.9 billion hectares, pointing to an overshoot of Earth’s capacity to sustainably sustain human life which has been widening since 1970 (Foodprint Network 2021). On the other hand, periodic warnings about an imminent scarcity of key non-renewable resources such as oil or metals have rarely been borne out by subsequent developments: as a whole, production of primary commodities has grown uninterruptedly, temporary supply gaps have stimulated the discovery of new reserves, a more efficient use, or their replacement with substitute goods, and real prices have indeed increased in the long term, but not dramatically – in average, by 34.2 per cent from 1950 to 2015 (Jacks 2019; Meinert, Robinson, and Nassar 2016). Finally, air, water, and land pollution put further strains on human health and food production, although stringent environmental regulations as well as medical and technological innovations can be very effective in preventing or compensating adverse effects. The impact of this macrofactor can be considered to be largely predetermined, as it mainly depends on the future needs and policies of China, other developing countries, and the United States. Ecological change presents many threats and some opportunities for the EU. On the one hand, it threatens human health and well-being and entails enormous economic costs in direct damages and mitigation and adaptation strategies. On the other hand, massive investment and consumption in the green sector may well become a driver of economic growth and innovation, kickstarting the anaemic internal demand,

alleviating unemployment, and providing an early competitive advantage for European firms on the global markets.

*Technology.* Technological change has boomed since the British Industrial Revolution of the late 18th century, continuously introducing new tools, processes, and products, driving productivity and economic growth, and transforming human societies (Lipsey, Carlaw, and Bekar 2005). Despite its fundamental importance, this concept has so far largely eluded measurement and prediction (Mahadevan 2003; Maiorone 2001). The most popular indicator of its economic impact, total factor productivity, is conceptually and empirically problematic. Key innovations often have huge effects on production and society at large but apparently small or counterintuitive ones on macroeconomic variables: for instance, ICT technologies. The emergence and impact of individual technologies is hard to predict, disentangle, and compare. Finally, there is no accepted criterium to judge if technological change is proceeding at a steady, accelerating, or slowing pace. Nevertheless, it seems likely that the spread and refinement of existing technologies and new scientific, technological, and organizational breakthroughs will profoundly impact life over the next fifteen years. Promising candidates for major advances are in information and communication (internet of things, artificial intelligence, robotics, 3D printing), bio-, nano-, cognitive, green, and outer space technologies (European Commission 2021d; Schwab 2017; Segars 2018). However, it is impossible to predict in advance their occurrence, shape, and societal outcomes, as proven by the countless predictions of academics, practitioners, firms, and science fiction writers which have either failed to come true or materialized in underwhelming, unrecognizable, or unexpected ways. Thus, this trend will inform the scenario-building exercise as a mix of predetermined and uncertain factors. Technological change represents a huge opportunity to improve living conditions and stimulate economic growth, but the EU and its member states are currently not well positioned to encourage and exploit it, raising the spectre of technological dependence, industrial marginalization, and mass unemployment. Over the past decades, R&D spending and successful industrial applications in the EU have generally lagged behind those of its main economic rivals; Brexit has further weakened the position of the EU in key technologically advanced sectors (universities, finance, energy, pharmaceutical, defence); and American and Chinese enterprises are likely to retain and strengthen their technological leadership in coming years. In addition, surveillance capitalism (Zuboff 2019) is increasingly threatening individual autonomy and the influence of the mass of citizens on democratic processes.

*Demography.* Demographic change is going to profoundly affect the EU, making its population smaller, older, more longevous, and more diverse. The United Nations and Eurostat provide regular population estimates and projections until 2100 (Eurostat 2021; United Nations 2019). Current forecasts based on medium assumptions are summarized in Figure 2.1. The population of the EU is currently undergoing an inflection toward negative growth and is expected to decline from 445 million (2020) to 438 million (2035) individuals in absolute terms; in relative terms, from 5.7 to 4.9 per cent of the world population. This is mainly the result of a sub-replacement net reproduction rate (daughters per woman), which fell below 1 around 1975 to a trough of 0.67 in 2005 and has been recovering very slowly ever since. Weak fertility will be only partially compensated by life expectancy, expected to rise from 81.3 (2020) to 83.7 (2035) years, and annual net migration, expected to remain positive but decline from 0.18 (2020) to 0.11 (2035) per cent. The main outcome of these drivers will be a sharp rise of both the median age (from 43.7 to 47.1 years) and the share of the elderly population aged 65 or more (from 20.6 to 26.6 per cent). While long-term projections have a broad range of plausible variations, short- and medium-term projections are fairly reliable, as they are mostly driven by pipeline (aging of existing individuals) and slow-changing (fertility and mortality rates) factors. It is therefore safe to assume that even extreme developments (strong immigration waves, a deterioration of the COVID-19 pandemics, natalist public policies) will only slow down trends which are largely predetermined.

**Figure 2.1 Demographic change, EU27**

<b>Total population</b>	<b>2005</b>	<b>2020</b>	<b>2035</b>	<b>2050</b>	<b>2100</b>
Number (thousands)	434,216	445,251	438,663	422,713	364,220
Annual growth (%)	-	0.17	-0.10	-0.25	-0.30
Share of world population (%)	6.64	5.71	4.94	4.34	3.35
<b>Elderly population (65+)</b>	<b>2005</b>	<b>2020</b>	<b>2035</b>	<b>2050</b>	<b>2100</b>
Number (thousands)	72,346	92,003	116,682	129,914	129,564
Annual growth (%)	-	1.62	1.60	0.72	-0.01
Share of EU27 population (%)	16.66	20.66	26.60	30.73	35.57
<b>Demographic indicators</b>	<b>2000-05</b>	<b>2015-20</b>	<b>2030-35</b>	<b>2045-50</b>	<b>2095-100</b>
Net reproduction rate (%)	0.67	0.78	0.79	0.83	0.86
Net migration rate (%)	0.24	0.18	0.11	0.11	0.13
Life expectancy at birth (years)	76.60	81.30	83.67	85.81	92.15
Median age (years)	40.16	43.70	47.11	47.77	48.80

Sources: own elaboration from UN (2021) and Eurostat (2021).

Notes: growth figures refer to the compound annual growth rate from the year of the previous column (15 or 50 years); due to missing or incomplete EU27 data, the four demographic indicators are interpolated from growth rates and/or projections for the whole European continent; to facilitate comparisons, the net migration rate is expressed in per cent rather than in the customary per thousand.

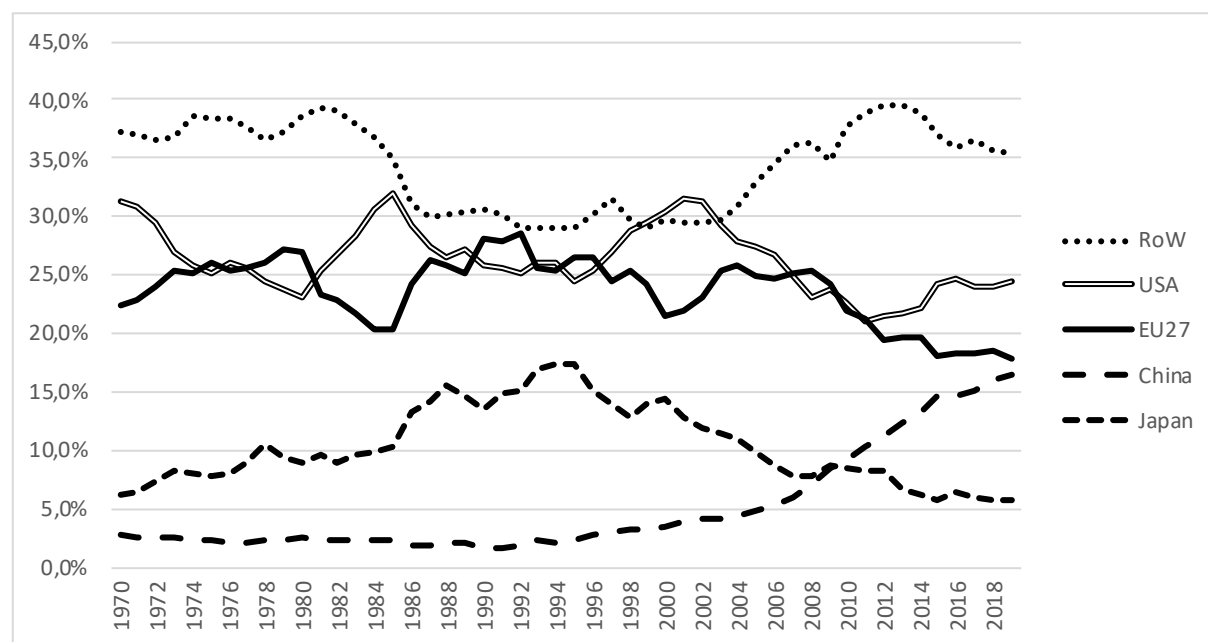
Demographic change will have a major impact on European societies, shaping patterns of production, consumption, social interaction, political attitude and behaviour, and policymaking (Chiocchetti 2017; European Commission 2018; Harper and Hamblin 2014; Kohlbacher and Herstatt 2010). On the one hand, it creates important opportunities: longer, predominantly healthy, and more self-determined lives for European citizens; the continued rise of per capita income and above all wealth despite sluggish growth; the healthcare sector, the ‘silver economy’, and migration opening up new chances for investment and innovation; a richer multicultural society; and political stability bolstered by the conservatism and prosperity of the older generations. On the other hand, it also presents key threats: a shrinking size and productivity of the labour force; stagnant overall economic growth; a difficult adaptation of work models, products, and services; an eroding effectiveness and fiscal sustainability of the welfare state; a return of old-age poverty for large sections of future pensioners; and the emergence of new social conflicts along generational and nativist lines.

*Economy.* The future dynamics of short-term and long-term economic change are very hard to predict, as they depend on the complex, uncertain, and fast-paced interaction of consumer behaviour, productive forces, corporate competition, public policies, and other factors. The observation of past trends (United Nations 2020; WTO 2021) allows the formulation of some careful extrapolations, but no guarantee that these will continue along their current path. In terms of overall growth, the real GDP of the world has grown from 1979 to 2019 at a steady yearly pace of 3.0 per cent, with periodic up and downs but next to no variations from decade to decade. The sudden emergence of a long depression (as in 1873–1896 and 1929–1938) or a long boom (as in 1945–1973) cannot however be excluded. The performance of the EU27 has been markedly slower (1.9 per cent) and continuously declining, with a recent annual growth below 0.5 per cent when adding the impact of the 2020 recession. In terms of geography, the economic fortunes of continents and individual nations have continuously shifted, with secular trends favouring first Western Europe (since the 16th century), then North America (since the late 19th century), and finally Asia (since the late 20th century). Data on nominal GDP (United Nations 2020) show a clear discontinuity around 2001, when Western advanced economies entered into a progressive decline and China and other Asian developing economies experienced a remarkable rise (Figure 2.2). Most observers rightly predict the consolidation of an ‘Asian century’, but an energetic policy and military reaction of the United States may still forestall it, as it prevented the German and Japanese challenges in previous occasions (1940s and 1980s). The EU27 share of world GDP plummeted from 28.6 per cent in 1992 to 17.9 per cent in 2019, far from the US and almost overcome by China (Figure 2.2). In terms of per capita prosperity and well-being, however, the European Union may well be able to preserve comparatively high levels for its citizens. Nominal GDP per capita in the EU27 was 36,322 USD in 2019, much lower than in the United States (65,134 USD) but more than three times higher than that of China and the world at large; a declining population relieves the reliance on growth compared to



existing incomes and wealth; and the economic gap with the US does not necessarily translate into a lower actual welfare, in light of superior welfare states, smaller inequalities, and shorter working times. In terms of globalization, finally, the world has experienced an incredible rise of trade, financial flows, and global value chains from the 1970s to the 2000s. Total merchandise trade, for instance, rose from 19.0 per cent of world GDP in 1970 to 51.7 per cent in 2018; in the latter year, it was estimated at 64.7 per cent of EU28 GDP. However, these processes have slowed down since the 2008–9 recession and small signs toward higher barriers to merchandise and capital movements and a renewed focus on domestic production are multiplying. It is therefore not clear if the ‘second globalization’ of the late 20th century has merely entered into a temporary pause, has encountered a permanent peak, or is moving toward a reversal. Altogether, economic change represents a major threat to the EU and is likely to further erode its economic weight and political significance on a global scale. At the same time, it may offer new opportunities to pivot to the Asian markets, shift the drivers of its growth model from external exports to the internal demand, and preserve high individual levels of prosperity and welfare.

**Figure 2.2 Shares of world nominal GDP, 1970–2019**

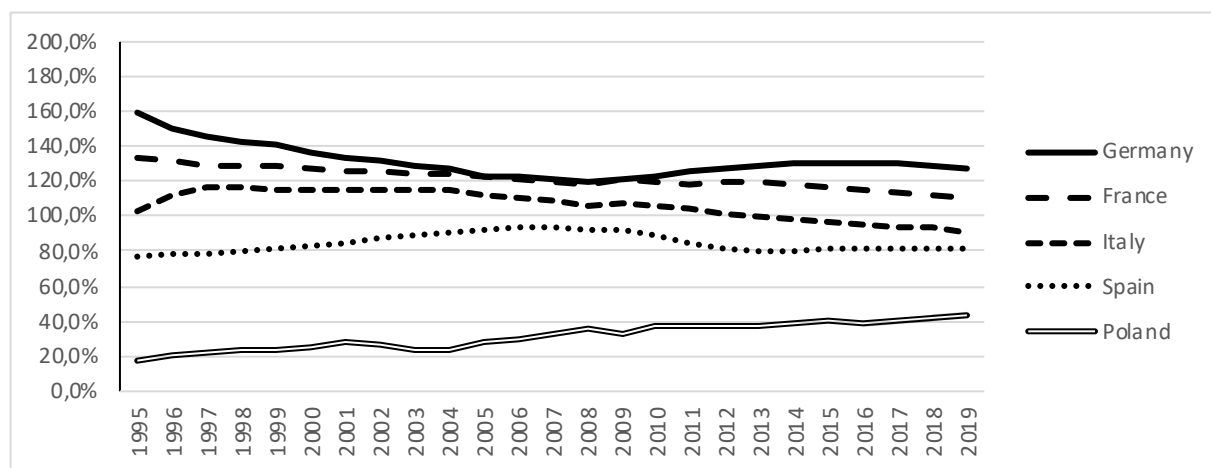


Source: own elaboration from UN (2020).

*Inequalities.* Most scholars agree on the broad trends of income and wealth inequality over the past few decades (Milanovic 2016; Piketty 2013). They point to growing inequality within nations but falling inequality between nations, with an overall trend toward a less unequal global distribution between individuals largely due to the vibrant growth of China and other Asian developing countries. A continuation of these trends would lead to a substantial further convergence of incomes, with the Gini coefficient falling from 64.9 in 2013 to 61.3 in 2035 and a sharp drop of individuals earning less than 1,144 USD in PPP terms (Hellebrandt and Mauro 2015). Similar trends can also be detected within the European Union (Beckfield 2019) but their combination tends toward a greater overall inequality, as most ‘convergence countries’ have a small and declining relative demographic weight. Nominal GDP per capita in 2019 ranged from 9,703 USD in Bulgaria to 115,481 USD in Luxembourg, with most Eastern European countries gradually catching up with the central EU27 value (36,322 USD) but most Southern European ones falling behind. Among the five largest countries, convergence is clearly visible until 2008 but divergence or stability is prevalent afterwards (Figure 2.3). Inequalities are shaped by both structural factors (such as available resources, location, path dependence, changes in global needs and tastes, technological progress, and global governance frameworks) and local agency, such as the strategies of firms, distributional conflict, and public policies. The latter, in particular, are often impotent in overcoming deep-seated patterns of economic agglomeration, underdevelopment, and intergenerational transmission but can be very powerful in alleviating the consequences market inequalities through taxation,

transfers, regulation, and public services. However, the European treaties and the single market tightly constrain the use of many traditional redistributive tools at the national level, intra-European fiscal transfers – despite a predicted rise in the 2021–27 period (Darvas 2020) – remain quantitatively small, and a radical shift of national wage bargaining and fiscal policy in favour of low-income groups does not look very likely at present. Thus, the scenarios will conservatively assume a trend of rising social and stable territorial inequality with random localized variations. The normative assessment of inequalities varies according to the specific social and political standpoint of each observer, which may consider them justified or unfair, personally beneficial or detrimental, and socially desirable or undesirable. However, growing economic divergence between countries and social deprivation within countries have the potential to threaten the process of European integration, fostering Euroscepticism and heterogeneous preferences and – in extreme cases – withdrawals from the Union (Fetzer 2019).

**Figure 2.3 Nominal GDP relative to the EU27 average, selected countries**



Source: own elaboration from UN (2020).

*Democracy.* Democratic change is rarely considered by the foresight literature but is a central preoccupation of the political one and has the potential to substantially affect the future of the EU. Three important trends must be singled out. First, democratic backsliding can be assessed with the data of the V-Dem project, which tracks the annual evolution of the quality of democracy across 202 countries from 1789 to the present day with complex expert surveys (Coppedge et al. 2021; Lindberg 2021). Electoral and liberal democracies have followed a fairly consistent rising trend from 1945 to around 2010, but this development has stopped and reversed in recent years. Crucially, autocratization is affecting not only regimes in developing countries but also advanced democracies and EU member states: Hungary was downgraded in 2019 to the status of ‘electoral autocracy’ while Poland is still classified as an ‘electoral democracy’ but exhibits the highest decline in the liberal democracy index since 2010. Second, even European democracies with fair elections and robust liberal values are becoming increasingly unresponsive to the preferences of their citizens, pointing to a trend toward ‘post-democracy’ (Bickerton 2012; Crouch 2004; Mair 2013). Key aspects of this phenomenon include a steep decline of voter turnout, a weakening linkage function of political parties and civil society organizations, a narrowing political offer on socio-economic issues, growing constraints on national policy choices imposed by international norms and regimes, and the increasing shift of actual decision-making from representative (parliaments) to executive (governments, prime ministers, heads of state) and independent (central banks, regulatory agencies, judiciaries) bodies. Third, direct democratic mechanisms such as referendums, e-democracy, and sortition have increasingly been proposed and deployed to compensate the declining legitimacy and responsiveness of representative institutions (Lucardie 2013; Qvortrup 2016; Sintomer 2018). With reference to the EU, referendums are increasingly popular to confirm EU accession, major integration steps, policy decisions, and forms of external integration: 63 votes have been held between 1972 and 2020 (16 of which in EFTA countries) and major Treaty revisions now tend to entail mandatory referendums in Denmark and Ireland and optional ones in other countries (particularly in France). Moreover, soft forms of voluntary and non-binding participation are increasingly used by public authorities

to bolster the legitimacy of their proposals, most recently with the ‘grand débat national’ in France and the ‘Conference on the Future of Europe’ in the EU (European Commission 2021a; Gouvernement de la République française 2019). While all three aspects exhibit a clear past trend, their future development and combined outcome remains largely uncertain and country-specific. For instance, democratic backsliding may extend to further Eastern European countries or be reversed by opposition victories in Hungary and Poland, the rise of challenger parties may broaden the political offer and stimulate a higher turnout in older democracies, and referendums on EU issues may be avoided or circumvented. Thus, the scenarios will conservatively assume overall linear trends with random local variations. Democratic change is mostly perceived by European actors as a threat undermining common values, the supremacy of EU law, and the chance of further integration. The post-democratic trend, however, is positively connotated, as it constrains the political impact of Eurosceptic, ideologically extreme, and ‘populist’ voters and governments. Finally, referendums on EU matters may also be viewed as a kind of opportunity, as they increase the legitimacy of decisions, may allay the concerns of Eurosceptic voters and, in case of a negative outcome, may nevertheless be conducive to the further integration of a more cohesive core of countries (Reinl and Evans 2021; Schimmelfennig 2019; Schraff and Schimmelfennig 2020).

*International relations.* Changes in international relations are also likely to have a major impact on the development of the EU. In the past, for instance, the Cold War and American encouragement were among the main drivers of early European integration and the collapse of the Soviet bloc was a necessary condition for both the Maastricht Treaty and the Eastern European enlargement (Berend 2016; Gilbert 2021). Since the 2000s, the international system has been shifting toward a multipolar configuration, as the indisputable military, diplomatic, technological, economic superiority of the United States has on balance failed to prevent the rapid rise of China, a recovery of Russia, and a more independent stance of several medium and small powers (Mearsheimer 2019). The implications for the future of existing global (e.g. UN, IMF, WTO) and regional (e.g. EU, NATO, NAFTA, ASEAN) governance frameworks, as opposed to the emergence of alternative institutions or of a logic of closed economic blocs, are still unclear (Kaczmarek 2017; Maull 2019). Multipolarity should increase the risk of open or proxy warfare between great powers as well as that of local conflicts and civil wars. In fact, the violence of military conflicts has followed a steeply declining trend from 1945 to 2011, although it has somewhat recovered afterwards (Roser 2016). More troubling, the direct or indirect involvement of great and medium powers on opposing sides of an ongoing local conflict (Syrian civil war, Russo-Ukrainian war) and nuclear proliferation raise the spectre of potential deadly escalations. Nevertheless, nuclear deterrence, economic interdependence, and restraint in military spending and the use of force seem to keep the likelihood of a major conflict between USA and China or between Russia and the EU extremely low at present. Finally, international politics continues to be dominated by sovereign states, but non-state actors such as large corporations, NGOs and transnational lobbies, military contractors, and armed groups all play a growing role in global governance and security (Josselin and Wallace 2001; Reinalda 2011). Altogether, it is reasonably safe to assume that until 2035 the EU will be able to continue to operate in a US-led, open, and peaceful international environment, albeit with a growing Chinese influence and continued low-level security threats from terrorist groups, failed states, regional powers, and cybercrime. Thus, this macrofactor has a relatively neutral impact on EU citizens and states, moderately increasing internal divisions between advocates of a closer alignment with the US, China, or Russia but exerting little pressure to ramp up military expenditures and hastily find alternatives to the existing security, economic, and diplomatic frameworks of global governance. At the same time, it does not help the advocates of a stronger integration in the field of Common Foreign and Security Policy, which would profit from a more tense international environment.

## Mesofactors

The macrofactors discussed above and other elements interact to shape the proximate environment of the EU’s development. This can be modelled into a limited number of ‘mesofactors’, regional trends constraining the success of specific courses of action. The literature on international integration and differentiation broadly agrees on the relevance of three factors, although it is divided about their exact definition and relative weight (Kölliker 2001; Leuffen, Rittberger, and Schimmelfennig 2013; Mattli 1999; Moravcsik 2013; Schimmelfennig, Leuffen, and Rittberger 2015; Vollaard 2018; Wiener, Börzel, and Risse 2019). Additional important factors, such as the role played by internal institutions, external



shocks, and geopolitical actors, are treated elsewhere in the text.

*Elite preferences.* The interests and preferences of social elites are at the core of most accounts of European integration. Elites may be defined narrowly, in terms of national governments, or more broadly, including national power elites and transnational actors (e.g. EU institutions, multinational corporations). Preferences are often conceived as rational, self-interested, and material, based on an accurate calculation of the above-mentioned benefits and costs, but may include ideational and irrational elements. Finally, preferences of elites may reflect an enlightened determination of long-term societal needs (e.g. the 'national interest'), a faithful aggregation of the interests of broad constituencies, the predominance of powerful groups (e.g. big business), or the self-serving sectional interests. Regardless of how their preferences are formed, the crucial role played by national governments in shaping the course of European integration and most key policy decisions is uncontroversial. Governmental preferences tend to be moderately in favour of integration, although a minority of governments is more sceptical and all of them are bitterly divided on priorities, policy solutions, distributional issues, and forms of governance (Chiocchetti 2021a). More importantly, even reluctant governments generally consider the costs of exit exceedingly high and are therefore amenable to compromises with appropriate concessions. Nevertheless, exceptions in individual states or a reversal of this trend cannot be excluded in the medium-term, as historical precedents of withdrawals from the EU (e.g. Brexit) and of past collapses of currency unions, federations, and empires (Chown 2003; McGarry and O'Leary 2009; Motyl 2001) show beyond doubt.

*Mass preferences.* Public opinion tends to have a less prominent impact on the course of European integration: while it certainly factors in the calculations of national governments and EU institutions, only in exceptional circumstances it leads to fundamental shifts in their actions. However, it greatly affects the legitimacy of the EU and its policies. Compared to elites, the general public is much less favourable toward European integration. In the past, this rarely mattered in practical terms, as EU institutions and policies were little known and debated, had a low political salience, and allowed parties to pursue their preferred goals without the risk of significant electoral sanctions. However, the salience and politicization of EU issues has greatly increased after the Maastricht Treaty and the Great Recession, leading to a growing 'constraining dissensus' on further integration (Hooghe and Marks 2009; Hutter, Grande, and Kriesi 2016). In particular, it has steeply decreased the feasibility of major Treaty reforms, strengthened Eurosceptic accents in the discourse and priorities of several national parties and governments, and created a small but significant risk of actual withdrawals from the Union. In absolute terms, the levels of support for EU membership, key EU policies, and further integration tends to be positive, but with sharp sectoral, territorial, and temporal variations (Chiocchetti 2021b; European Commission 2019b, 2021b; Hobolt and De Vries 2016). The latest Eurobarometer evidence is summarized in Figure 2.4. While hard Eurosceptics are few, the overall plurality in favour of a substantial expansion of EU competences and activities is probably overestimated in the sample, small, not present in all countries and on all issues, and may turn into a minority under less favourable circumstances (as in 2015–17).

**Figure 2.4 Public opinion on European integration, EU27 (% of valid responses)**

<b>EU membership</b>	<b>A good thing</b>	<b>Neither</b>	<b>A bad thing</b>	<b>Notes</b>
Generally speaking, do you think that (OUR COUNTRY)'s membership of the EU is...	62.2	26.8	11.1	EB 91.5 (July 2019)
<b>EU benefits</b>	<b>Benefitted</b>		<b>Not</b>	<b>Notes</b>
Taking everything into account, would you say that (OUR COUNTRY) has on balance benefited or not from being a member of the EU?	75.1		24.9	EB 91.5 (July 2019)
<b>Trust in the EU</b>	<b>Trust</b>		<b>Not trust</b>	<b>Notes</b>
[...] please tell me if you tend to trust it or tend not to trust it: the European Union.	50.6		49.4	EB 91.5 (July 2019)
<b>Existing EU policies</b>	<b>For</b>		<b>Against</b>	<b>Notes</b>
What is your opinion on each of the following statements? (9 policies, average)	75.9		24.1	EB 91.5 (July 2019)
<b>Appropriate level for policy areas</b>	<b>Rather EU</b>	<b>Both</b>	<b>Rather national</b>	
In your opinion, at what level can we deal with each of the following areas most efficiently? (16 policy areas, average)	24.6	54.2	21.2	EB 500 (Nov. 2020)
<b>Degree of integration</b>	<b>More</b>	<b>Same</b>	<b>Less</b>	
Taking a longer view, if you picture the EU you would like to see in ten years from now, would you prefer? An EU with (more/fewer/approximately the same) decisions taken at the EU level than today.	43.8	20.8	35.4	EB 500 (Nov. 2020)

Sources: own elaboration from European Commission (2019, 2021).

## 2.3 Summary

The final step of the exercise is an overall assessment of the impact of the factors explored in the previous sections on the future course of European integration.

The main findings of the analysis are summarized in Figure 2.5. The first column lists the sixteen factors identified as having a substantial potential impact. The second column classifies them in internal and external factors and in choices, organizational factors, macrofactors, and mesofactors. The third column assesses their uncertainty, that is their plausible range of variation from existing forecasts. The fourth and fifth columns assess their disruptive impact against the benchmark of the existing status quo under both 'plausible' and 'likely' conditions. The values do not consider the overall impact of the factors on European societies or policy priorities but only their impact on the essential features of European integration, such as its deepening, widening, and degree of differentiation. Thus, factors with potentially huge societal and policy implications, such as ecological or technological change, are considered to have a low disruptive impact. The sixth column, finally, classifies the factors according to their relevance for the scenario-building process, taking into account their uncertainty, disruptive potential, role in the chain of causality, and capacity to challenge conventional assumptions and stimulate the strategic conversation. Three internal factors (deepening, widening, and differentiation) are selected as the key variables around which the sets of scenarios will be structured. However, they will be redefined in terms of actual degrees of integration achieved by the EU from 2021 to 2035 (rather than as desirable visions), whose success depends on the impact of both subjective choices and objective constraints. Seven other factors (enforcement, demography, economy, international relations, functional benefits, elite preferences, and mass preferences) are selected as important variables shaping the various scenarios. For each specific scenario, their values will be set at plausible levels suitable to allow its realisation and create a relatively balanced picture of risks and opportunities (Chermack 2011). Six factors, instead, are included as background variables with a minor or merely aesthetic impact on the scenario sets.

**Figure 2.5. Impact of factors on the future course of European integration by 2035**

Factor	Type	Uncertainty	Plausible impact	Likely impact	Relevance to scenarios
Deepening	internal, choice	high	high	medium	high
Widening	internal, choice	high	high	low	high
Differentiation	internal, choice	high	high	medium	high
Resources	internal, organization	low	low	low	low
Decision-making	internal, organization	low	low	low	low
Enforcement	internal, organization	medium	medium	medium	medium
Ecology	external, macrofactor	low	low	low	low
Technology	external, macrofactor	high	low	low	low
Demography	external, macrofactor	low	medium	medium	medium
Economy	external, macrofactor	high	high	medium	medium
Inequalities	external, macrofactor	medium	medium	low	low
Democracy	external, macrofactor	medium	medium	low	low
International relations	external, macrofactor	medium	medium	low	medium
Functional benefits	external, mesofactor	high	high	medium	medium
Elite preferences	external, mesofactor	medium	high	medium	medium
Mass preferences	external, mesofactor	high	high	medium	medium

Altogether, despite a high level of uncertainty about future trends, the *likely* overall impact of the sixteen factors on the future course of European integration seems to be relatively modest: half exhibit a low predicted impact, half a medium one, and none a high one. This is mainly due to the highly constraining effect of the institutional framework of the EU, which hinders majoritarian, rapid, and radical responses to changes in internal preferences and external pressures, coupled with an increasing heterogeneity of its member states, whose divergent needs and solutions tend to cancel each other out and block a coherent direction of development. At the same time, functional, political, and institutional factors are likely to continue to exert significant pressures toward further integration and differentiation, nudging the EU on a path of incremental integration with more vertically and horizontally differentiated patterns, albeit without radical leaps and with frequent deadlocks (Chiocchetti 2021b; Laffan 2021).

In contrast, the *plausible* overall impact of the sixteen factors is much more sustained, with eight factors exhibiting a high impact, five a medium impact, and only four a low impact. Less likely but nevertheless plausible trend shifts and events may open up a wide range of future outcomes, including a permanent stagnation around the status quo, sustained multi-menu integration, uniform or selective disintegration in key policy areas, the withdrawal of several countries from the EU, new waves of enlargement, and a federal perspective for a Eurozone-based core group of member states (Chiocchetti 2021b). The development of sets of scenarios covering paradigmatic points of this full range of outcomes, which will be carried out in chapters 3 and 4, strengthens the capacity of EU actors and citizens to anticipate and prepare for change, respond effectively to extreme (favourable and unfavourable) developments, and steer actual events in the direction of their ‘desirable futures’.

### 3. What we know about differentiation and flexibility: types and design choices

Differentiation and flexibility which can play an important role in determining the shape of a future EU and in providing useful solutions to its institutional and policy challenges. Their likely evolution by 2035 has already been briefly discussed in section 2.1. However, a more detailed analysis is necessary to outline their range of possible variation, to identify the specific drivers, features, and outcomes of different types, models, and tools, and to grasp their full potential as design choices. The third chapter of this report carries out this task, examining first internal differentiation and flexibility (pertaining to the relationships between EU member states) and then external differentiation and flexibility (pertaining to the relationships between the EU and third countries).

#### 3.1 Internal differentiation and flexibility

Internal differentiation, understood in a legal and horizontal sense, can be defined as the ‘selective limitation of the validity of international legal rules to a subset of the EU member states’ (Chiocchetti 2021a). In the context of European Studies, the rules in question are typically understood as those derived from EU law, but the growing use of inter se agreements between a sub-set of EU member states to pursue objectives closely connected to the goals and activities of the EU and which may ultimately be reabsorbed by it (such as the 1985 Schengen Agreement, the 2012 Treaty on Stability, Coordination, and Governance, or the 2012 European Stability Mechanism Treaty) has pushed some scholars to interpret the concept extensively to cover any EU-related rule. Finally, rules derived from bilateral treaties, multilateral agreements, and international organizations unrelated to the EU (e.g. United Nations, World Trade Organization, North Atlantic Treaty Organization, or Council of Europe) clearly contribute to international integration in general but not to EU integration specifically; therefore, they will not be included in this discussion, unless they have a direct impact on EU law and decision-making. Thus, the term ‘internal differentiation’ is used here as a form of European integration which allows member-based exceptions to the uniform application of EU or EU-related norms.

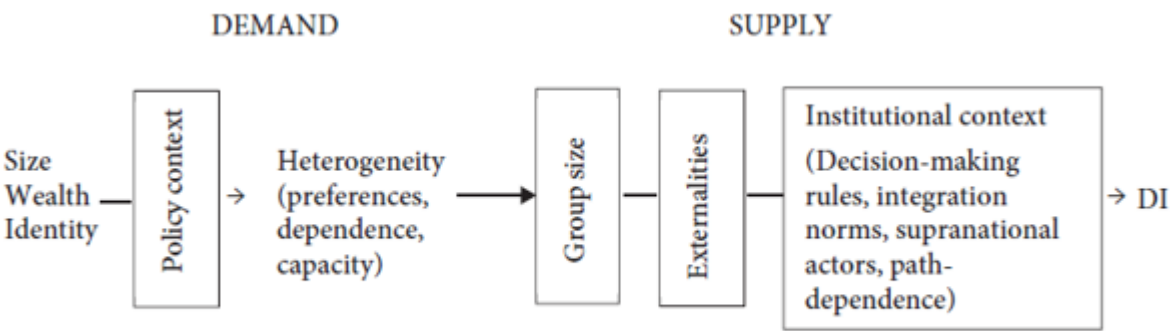
Differentiated integration (DI) stands in opposition to uniform integration and is closely related to other forms of legal flexibility. On the one hand, DI leads to territorially uneven outcomes which are more integrated than the uniform status quo but less integrated than a hypothetical higher uniform state characterized by the universal application of the new rules to all countries. The more countries introduce differentiations, the less integrated the outcome will be. This relative character of DI partly explains the complexity of the normative debate on differentiation, which blurs the traditional division between Europhile supporters and Eurosceptic opponents of European integration. As differentiation can be perceived both as a ‘surplus of integration’ (compared to lower uniformity) and as a ‘deficit of integration’ (compared to higher uniformity), it has both Europhile and Eurosceptic supporters, each stressing its pragmatic contribution in avoiding political blockades to further integration or in accommodating vital national preferences. On the other hand, it can be conceived as a special case of flexible integration, which includes other kinds of mechanisms with somewhat similar purposes and outcomes: the amendment of norms to reduce their ambition or binding character (which goes further than differentiation in positively increasing national autonomy); the use of experimentalist governance to allow the adoption of flexible means to pursue non-binding or binding goals (e.g. through the Open Method of Coordination or EU directives); the room for legislative flexibility, executive discretion, and judicial discretion in the implementation and interpretation of given norms; the use of exceptions for sub-national territorial units; material differences in the participation, contribution, or benefits of member states in the various institutions and activities of the EU; and (illegal) non-compliance of national authorities with supranational norms.

Differentiation and flexibility are relatively common in EU law and an essential aspect of most existing proposals for the future reform of the EU (Chiocchetti 2021b). On the one hand, if measured in relative terms (country-based differentiations divided by the total differentiation opportunities), differentiations affected in 2018 6.8 per cent of EU-related Treaty articles and 2.6 per cent of EU secondary legal acts. At the same time, its quantitative number and qualitative impact does not seem to indicate the emer-

gence of an EU *à la carte*, in which each member state freely picks and chooses its scope and level of integration, but rather conforms to a pattern of ‘reluctant differentiation’, in which uniform integration is the preferred solution and exceptions are only granted cautiously, whenever absolutely necessary to avoid political stalemates or crises. On the other hand, a flurry of recent proposals highlights the usefulness of differentiation and flexibility as tools to facilitate further integration, accommodate national needs, or accompany disintegration.

The main drivers leading to the implementation of differentiated integration are elegantly modelled by Schimmelfennig and Winzen (2020) and depicted in Figure 3.1. According to their theory, heterogeneity of EU member states in terms of preferences, mutual dependence, and capacity creates the demand for DI. The size of the insider group pushing for further integration, the expected externalities of the scheme, and institutional factors determine its supply, that is the frequency, extent, and form in which it is actually implemented instead of its two main alternatives, a uniform lower level of integration (which they call ‘no integration’) and uniform higher level of integration (which they call ‘uniform integration’)

**Figure 3.1 Causal factors of differentiated integration**



Source: Schimmelfennig and Winzen (2020: 37).

Internal differentiation and flexibility come in many forms, each of which exhibiting different preconditions, features, and outcomes (Chiocchetti 2021b; Holzinger and Schimmelfennig 2012; Schimmelfennig and Winzen 2020; Sielmann 2020). These possible design options are summarized in Figure 3.2 and discussed below.

**Figure 3.2 The design of internal differentiation**

<b>Multi-speed</b>	vs	<b>Multi-end</b>
<b>Multi-tier</b>	vs	<b>Multi-menu</b>
<b>Unidirectional</b>	vs	<b>Bidirectional</b>
<b>Based on EU law</b>	vs	<b>Based on international law</b>
<b>Formal out-outs</b>	vs	<b>Flexible commitments</b>

The first distinction is that between multi-speed (or temporary) and multi-end (or permanent) differentiation. Multi-speed differentiation consists of temporary exceptions, which are either designed to expire after a certain number of years (or when specific conditions are met) or are later actually repealed. Thus, it is supposed to ultimately lead to a uniform higher level of integration, after a transition period facilitating the adaptation of the laggard states (‘facilitating differentiation’) or of the vanguard states (‘discriminatory differentiation’). However, some supposedly temporary exceptions turn out to be dura-



ble (for instance, the obligation of all EU countries to adopt the euro as their national currency). Multi-end differentiation consists instead of permanent exceptions, which are either not supposed to expire or are actually never repealed. They lead to a permanently differentiated state.

The second distinction is that between multi-tier and multi-menu differentiation. Rather than to the properties of individual norms, these concepts refer to the resulting overall pattern of differentiation within the EU. A multi-tier EU is a polity characterized by ‘concentric circles’ of integration, with a highly integrated core surrounded by one or more layers of less integrated countries. It is particularly liked by Federalist Europhiles, as it allows a vanguard group to move forward with uniform integration while maintaining the hope (or fiction) that laggards will sooner or later catch up. A multi-menu EU, instead, is a polity characterized by a ‘variable geometry’ of integration, where each country cooperates in some areas but opts out from other ones. It is particularly liked by pragmatic Europhiles, as it allows to shape the boundaries of further integration according to the functional nature of each issue and the individual needs and preferences of each country. In practice, the current pattern of differentiation in the EU does not clearly conform to either of these ideal types, but follows instead an intermediate position characterized by a ‘soft-core, multi-clustered Europe of overlapping policy communities’ (Schmidt 2019).

The third distinction is between unidirectional and bidirectional differentiation. Differentiation in the EU is overwhelmingly unidirectional, allowing states to opt out *ex ante* from further integration schemes (or, for accession countries, from selected aspects of the *acquis communautaire*, which nevertheless represents a higher degree of integration than the status quo) but forbidding a regression of existing integration levels. The negotiated introduction of *ex post* derogations in the primary or secondary law remains possible through amendments according to the relevant legislative procedures, and a complete withdrawal from the EU is legally possible under the Article 50 TUE procedure, but these possibilities are rarely used in practice. A hypothetical model of bidirectional differentiation would instead introduce open-ended procedures allowing the movement of states toward either integration or differentiation: for instance, a unilateral or negotiated right of entry and exit in all integration ‘clubs’ such as the Euro area (Demertzis et al. 2018; Majone 2014).

The fourth distinction is that between differentiations based on EU law and differentiations based on international law. The former are concluded in accordance with EU competences and procedures: for instance, Treaty opt-outs, exceptions in the EU secondary legislation, the general ‘enhanced cooperation’ procedure, and special differentiated regimes in the areas of the EMU and PESCO. The latter are concluded outside of the EU legal order and with international law procedures: for instance, *inter se* Treaties such as the European Stability Mechanism Treaty or informal cooperation arrangements such as the European Monetary System. Operating under international law presents several advantages, particularly the possibility to bypass unsurmountable substantive or procedural hurdles, exclude unwanted participants, and create bespoke decision-making procedures, budgets, and institutions; however, such treaties must be compatible with EU law, cannot rely on the administrative machinery of the European Union, and are more difficult to enforce.

The fifth distinction is that between formal out-outs and flexible commitments. Formal opt-outs, typical of differentiated integration, offer a stark, one-off, binary choice to countries between participating in a scheme (‘insiders’) or not (‘outsiders’). They improve legal clarity and encourage political compromises but may not accurately meet specific national needs and tend to be hard to change, creating a certain path-dependence. Flexible commitments, typical of other forms of flexibility, allow instead countries to modulate their degree of participation and easily change it without additional procedural hurdles. At the same time, they may be used to promote inaction or disintegration and are harder to enforce against the will of reluctant governments.

The main expected outcomes of differentiation and flexibility, as well as the most important normative arguments surrounding them, are extensively discussed elsewhere (Chiocchetti 2021a). Altogether, differentiation and flexibility seem to be useful tools to integrate diversity in the European Union, shaping the path of further integration or disintegration according to vital national interests, needs, and specificities. At the same time, they may lead to undesirable results by reducing the need for member states to find universally acceptable compromises, yielding sub-optimal functional benefits, and undermining a common sense of identity and solidarity.

### 3.2 External differentiation and flexibility

External differentiation, understood again in a legal and horizontal sense, can be defined as ‘the selective extension of the validity of EU legal rules to non-members’ (Chiocchetti 2021a). Unlike internal differentiation, the rules in questions are unambiguously defined as those derived from EU law, although a case could be made for the inclusion of EU-related rules concluded under international law. On the other hand, it is not clear in the literature whether the concept should cover *all* international agreements between the EU and third countries or only a *subset* of them, those entailing a one-sided alignment of third countries with EU norms (rather than norms requiring movement on both sides). This report will side-step this problem by including in principle all kinds of international agreement but focusing on those requiring substantial alignment.

External differentiation stands in opposition to more than one other form of European integration. If the element of differentiation is stressed, it represents an alternative to external uniformity, in which all non-EU countries are treated in an equally different way from EU ones. If the element of one-sided alignment is stressed, it represents an alternative to distant relationships with third countries, such as the one obtaining between the EU and the United States. If the element of non-membership is stressed, it represents an alternative to enlargement (from the perspective of the EU) and accession (from the perspective of the third country). The first meaning is relatively uninteresting for scholars and policy-makers: differentiated relationships with non-EU members are inevitable in a pluralist international environment and, even if one might theoretically complain about the discriminatory effects of not treating all non-EU members the same way, what most observers are really interested in is the actual gap in rights and obligations between EU members and non-members. The second and third meaning are generally understood as a continuum of external integration stages, with third countries moving from more distant relationships (low external integration) to closer relationships (high external integration or external differentiation) and culminating in EU accession (full integration or internal integration). This is however not entirely correct, as a third country might turn out to be more integrated in the EU than a EU member: for instance, in diachronic comparisons (Switzerland in 2020 vs France in 1958), in sector-specific analyses (Norwegian vs Irish integration in the Schengen area), or theoretical cases (a non-member fully aligning with the entire *acquis* vs a member with a lot of opt-outs). Altogether, the most appropriate option seems to be to consider external differentiation as a sort of synonym for high external integration, opposed to both full EU membership and low external integration. All forms of flexibility outlined in the previous section can be applied to external differentiation and integration, modifying the scope, ambition, or enforcement of the resulting international commitments.

External differentiation is a constitutive feature of the external relations of the EU (Chiocchetti 2021b). Depending on its definition, it encompasses 2,183 international agreements, 104 association and free trade agreements, and a small number of extremely ambitious forms of selective market and regulatory integration: the European Economic Area with Norway, Iceland and Liechtenstein and the bilateral agreements with Switzerland, Turkey, and the UK.

The drivers of external differentiation are explained by Schimmelfennig and Winzen (2020) with the same model used for internal differentiation (Figure 3.1), stressing however the bilateral nature of the negotiation process: some states refuse EU membership or closer integration because of their diverging preferences, low dependence, and high capacity, while others are rejected by the EU because of their diverging preferences, low threat to EU benefits, and low capacity. In addition, it must be stressed that external agreements are harder to enforce and more sensitive to geopolitical pressures, giving third states more leeway to circumvent their commitments, renegotiate their relationship, or seek alternative integration partners.

External differentiation also comes in many forms, which however rarely affect its preconditions, features, and outcomes (Chiocchetti 2021a; Eeckhout 2011; Pedreschi and Scott 2020). These design options are summarized in Figure 3.3 and discussed below. It must be remarked that a different combination of options is typically adopted in the relationship with each individual third country, leading to a complex web of differentiated relationships between the EU and the rest of the world.



**Figure 3.3 The design of external differentiation**

<b>International agreement</b>	<b>vs</b>	<b>Unilateral extension</b>
<b>Bilateral agreement</b>	<b>vs</b>	<b>Multilateral agreement</b>
<b>Uniform non-membership</b>	<b>vs</b>	<b>Graded non-membership</b>
<b>Close relationship</b>	<b>vs</b>	<b>Distant relationship</b>
<b>No relationship</b>	<b>vs</b>	<b>Many relationships</b>
<b>Differentiated integration</b>	<b>vs</b>	<b>Differentiated disintegration</b>

The first distinction pertains to the legal form of external differentiation: international agreement, which is the result of the successful conclusion of a negotiation between the EU and a third country, and unilateral extension, which is the consequence of the unilateral adoption by the EU of an internal act with external consequences and the consequent alignment of laws and behaviour in third countries (usually motivated by the desire to gain single market access or other advantages).

The second distinction pertains to the number of parties of the relationship: the EU and one country in bilateral agreements (for instance, the relationship with the UK), the EU and several countries in multilateral agreements (for instance the relationship with EEA states).

The third distinction pertains to the number of possible 'steps' in the integration 'ladder' available for third countries. Observers currently identify eight grades of non-membership (no institutionalized relationship, trade agreement, cooperation agreement, free trade area, bilateral agreement, association agreement, internal market integration, candidacy, and accession negotiations) or six relationship models (no deal, Canada, Turkey, Ukraine, Switzerland, Norway) (Barnier 2017; Schimmelfennig and Winzen 2020). A perfectly uniform external integration would encompass only one type of non-membership; for differentiated integration, the sky is the limit.

The fourth distinction pertains to the degree of external integration of the third country, which can exhibit an extremely close (for instance, Norway) or extremely distant (for instance, North Korea) relationship, modelled after the integration steps presented in the previous paragraph.

The fifth distinction pertains to the number of third countries the EU has an institutionalized relationship (or specific kinds of relationships) with. The counting obviously depends on the threshold adopted (e.g. all treaty relations or close alignment). If we adopt an intermediate standard starting with free trade and association agreements, about half of countries in the world currently have a distant relationship with the EU while the other half presents institutionalized relationships with varying degrees of closeness and alignment.

The sixth distinction pertains to the evolution of the relationship over time: external integration leads to closer relationships with a third country (for instance, Albania) while external disintegration leads to a more distant one (for instance, the UK).

The main expected outcomes of external differentiation and the key criteria and positions for its normative assessment are extensively discussed elsewhere (Chiocchetti 2021a), are quite similar to those of internal differentiation, and will be outlined in detail in chapter 5. For clarity, the scenario set will refer to external (dis)integration rather than external differentiation, with various forms of the latter featuring in each of the three scenarios (EU enlargement, external integration, external disintegration). Altogether, external differentiation is an inevitable by-product of the creation of a regional European Union in a world of multiple sovereign states, as opposed to its dissolution into global organizations or a unified world government: some countries will join the club, and relationships with non-members will vary from close to very distant. Its factual and normative assessment depends on the specific nature of

each relationship, with supporters highlighting its functional benefits and opponents emphasizing the superior functional and democratic advantages of alternative options (accession, a distant relationship, integration with rival regional organizations).

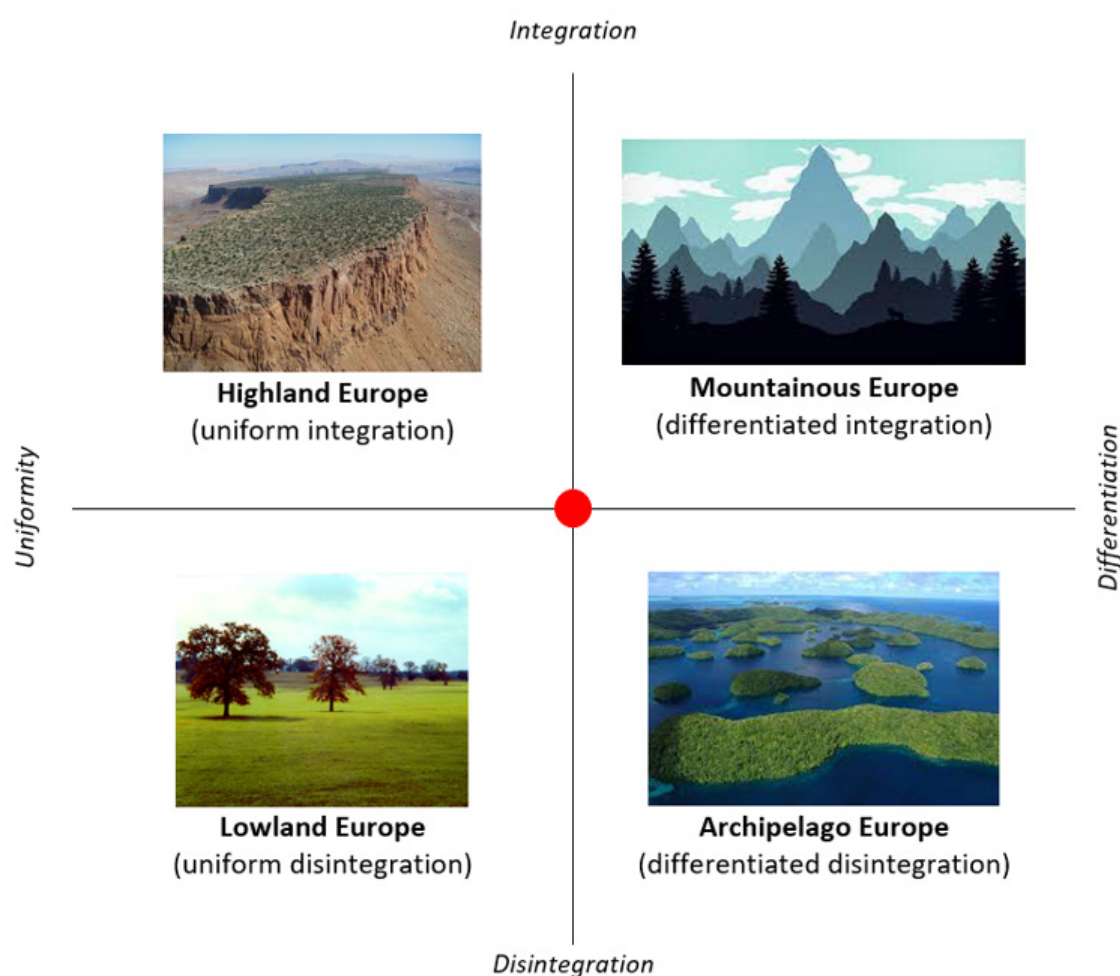
### **3.3 Summary**

Internal differentiation, external differentiation, and other forms of flexibility all represent useful tools to shape the future of European integration. They chart a middle course between full uniform integration and no integration, avoiding deadlocks and allowing the pursuit of the key benefits of integration while accommodating vital national interests and preferences. They can be applied to any country, policy area, and level of (dis)integration in a variety of ways, each having slightly different outcomes, strengths, and weaknesses. The types, models, and tools discussed here will form the backbone of the two sets of scenarios presented in the following two chapters.

## 4. European landscapes 2035: four scenarios on internal integration

The first set of scenarios explores the future internal development of the European Union by 2035. Two factors have been plotted on a 2x2 Scenario Matrix: the level of (internal) integration, which can vary from high integration to high disintegration, and the level of (internal) differentiation, which can vary from high uniformity to high differentiation. Four plausible scenarios are then developed (Figure 4.1): (1) 'Highland Europe', characterized by uniform integration; (2) 'Mountainous Europe', characterized by differentiated integration; (3) 'Lowland Europe', characterized by uniform disintegration; and (4) 'Archipelago Europe', characterized by differentiated disintegration. The status quo, represented by the red dot, is located at the intersection of the two axes, meaning that any change in the existing level of integration (high) and differentiation (medium) will move the EU closer to one of the options. The remainder of the chapter is devoted to a narration of each scenario and a final summary of their main features.

**Figure 4.1 European landscapes 2035: four scenarios on internal integration**



## 4.1 Highland Europe: uniform integration



Highland Europe  
(uniform integration)

On 9 May 2035, the President of the European Commission sits in the presidential dais on Place des Palais in Brussels, watching the traditional annual parade for Europe Day. With a smile, she surveys the units marching below her, the elderly crowds cheering them on from the sidelines, and the dignitaries sitting beside her: her 12 Commissioners, 23 heads of government, and the chairpersons of other important EU and national institutions. The perfect embodiment of a 'United Europe moving forward', her successful *Spitzenkandidatin* slogan in the 2034 European Parliament elections: a highly integrated and confident polity able to take swift decisions, speak with one voice on the world stage, and enjoy the benefits of its uniform common policies. Who would have thought it possible in 2020?

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

As the dancing 'Erasmus youth' section drives by on loud sound system trucks, the President proudly reflects on what has been achieved so far. The negotiations on the 2035 budget have been concluded, raising the revenue ceiling at 3 per cent of GNP. All countries are now subjected to the reinforced system of European Economic Governance and only one of them is still resisting the adoption of the Euro. Frontex has virtually closed off the external borders of the Union, overseeing a swift expulsion of

most external migrants to a network of relocation camps and internally redistributing a minority of them according to national needs and preferences. The European Health Union is supporting the rise of European champions in pharma research and commercialization. All countries take part in the European Defence Union, although five of them restrict their participation to financial support and non-combat missions. And the Commissioner for Foreign Affairs has effectively represented common EU positions in many international forums, most notably in the eco-tariffs conflict at the WTO and in the trilateral talks on Nigerian reconstruction.

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

## 4.2 Mountainous Europe: differentiated integration



**Mountainous Europe**  
(differentiated integration)

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

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



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

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

#### 4.3 Lowland Europe: uniform disintegration



**Lowland Europe**  
(uniform disintegration)

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

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

‘Nevertheless, our predecessors showed foresight and managed to save and strengthen the core of the European project: its Single Market’, she continues. The ‘reforms of 2028’ had decreed a retrenchment of EU formal competences and regulatory intervention in the fields affecting politically sensitive core state powers (constitutional provisions; monetary and fiscal policy; internal security; defence and foreign affairs), a cut of EU revenues to 1 per cent of GNI, and a renewed focus on the removal of market barriers. After much wrangling, the effectiveness of the Single Market had been re-established, with lower standards on state aid and the free movement of people but vigorous progress in the integration of legal and regulatory standards, infrastructural networks, and services. Thanks to the post-2027 (and ongoing) long economic boom, growth and internal trade had blossomed despite the exchange rate and regulatory frictions and EU markets had again become attractive for external partners. Five advantageous comprehensive trade agreements had been ratified, with seven more currently in negotiation. The ‘Brussels effect’, the unilateral alignment of producers to EU standards, had also steadily grown. The size of the EU had grown to 30 members after the incorporation of two EFTA and one Balkan countries. Finally, some new uniform initiatives aimed at increased functional benefits in non-trade-related sectors had also been successful, particularly the European Health Union, the Comprehensive Schengen Information System, and the Erasmus++ Programme.

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

#### 4.4 Archipelago Europe: differentiated disintegration



**Archipelago Europe**  
(differentiated disintegration)

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

His mind drifts to the increasing complexity of the EU since the ‘great devolution’ of 2029. In the 2020s, enduring economic stagnation, diverging national interests, creeping non-compliance, and rising popular Euroscepticism had undermined the foundations of the European project. When the ‘sec-



ond Eurozone crisis' of 2028 had finally hit, the hawkish new President of the European Central Bank had refused to provide sufficient liquidity to peripheral countries and ESM funds had rapidly been exhausted, forcing seven Euro countries to default and redenominate into new national currencies. To prevent the crisis from snowballing into a complete paralysis of EU activities or even its formal break-up, an intergovernmental conference had introduced the famous Article 50bis procedure, which enabled states to opt-out from any existing norm of the primary and secondary EU law after a 2-year negotiation period, facilitated the use of enhanced cooperation, and accordingly adjusted the functioning of EU institutions. This had led to a controlled process of differentiated disintegration, preventing the withdrawal of countries and leaving behind a patchwork of issue-based regimes, geographically smaller but more cohesive.

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





'Your dinner is being delivered in the living room', chirps his home-AI. Yes, the EU in 2035 was quite different from the one of his middle age, in 2020, with both upsides and downsides. National policies increasingly diverged, with generally positive domestic consequences but mounting cross-national conflicts. EU norms were more respectful of national preferences, but every opt-in and opt-out negotiation threatened to escalate in a vicious cycle of retaliatory measures. Mobile firms and citizens constantly complained about the lack of legal uniformity between countries and the growing obstacles to trade, investment, migration, and travel. Hard Euroscepticism was a thing of the past, but so was the dream of an incremental path to the ultimate goal of a federal EU, to the chagrin of traditional Europhiles. Most countries were falling behind on important international commitments, such as their emission targets. Finally, relations with Russia had become quite cordial, with a common Eurasian trade area planned for 2045, but US and China were ramping up their efforts to win EU member states to their side of the 'Second Cold War' with incentives, sanctions, and increasingly blatant political meddling. 'That's life in the "archipelago Europe" of differentiated disintegration', he sighs, taking a bite out of his vegan pork bao.

## 4.5 Summary

A synthetic overview of the key features of the four scenarios is provided in Figure 3.2. All scenarios are premised on severe adverse shocks in the 2020s, resolute reactions (in different directions) by EU elites at a crucial turning point in the late 2020s, and their relatively successful implementation in subsequent years. They diverge instead in their paths and outcomes: the first scenario, 'Highland Europe', moves toward uniform integration by forcing laggard countries to adapt or leave; the second scenario, 'Mountainous Europe', moves toward differentiated integration by weakening the veto power of lag-

gards on new initiatives; the third scenario, 'Lowland Europe', moves toward uniform disintegration by accepting a shift away from the sensitive areas of core state powers; the fourth scenario, 'Archipelago Europe', moves toward differentiated integration by introducing a negotiated procedure allowing countries to renege on existing EU commitments, in order to forestall more drastic unilateral actions.

**Figure 4.2 European landscapes 2035: overview**

Scenario	 Highland Europe (uniform integration)	 Mountainous Europe (differentiated integration)	 Lowland Europe (uniform disintegration)	 Archipelago Europe (differentiated disintegration)
Internal integration	high	high	low	low
Internal differentiation	low	high	low	high
EU membership	low (23)	medium (27)	medium (30)	high (35)
EU budget	high (3%)	medium (1.5% + 0.5%)	low (1%)	low (0.7% + 0.5%)
Conditions adverse shocks political climate Eurozone reforms post-reform policies	medium-strong Europhile Eurozone survival incentives to laggards to adapt or leave effective	medium-strong Europhile Eurozone survival procedure to bypass veto powers effective	strong Euro sceptic Eurozone collapse shift away from sensitive areas effective	strong Euro sceptic Eurozone break-up procedure to retrench existing commitments effective

The four scenarios are plausible but somewhat extreme, in order to better highlight the hard choices and trade-offs which may face the EU in the coming decades. The most likely scenario, particularly in the case of a favourable external environment and weak shocks, is a continuation of the current path of slow incremental integration, achieving by 2035 a moderately higher level of internal integration, a slightly higher or stable level of internal differentiation, no or minimal enlargement, and no or minor Treaty changes: nevertheless, conscious choices and fortuitous events may make it more similar to scenario 2 (Mountainous Europe), scenario 1 (Highland Europe), or the status quo.

## 5. Love thy neighbour 2035: three scenarios on external integration

The second set of scenarios explores the future external development of the European Union by 2035 (Figure 5.1). The status quo, represented by the red dot, is an EU with 27 member states connected to third countries by a web of graded relationship ranging from a strong to a weak level of integration and legal alignment. For each third country, and for non-EU countries taken as a whole, three main choices and resulting scenarios can be identified: (1) 'Extended family', characterized by EU enlargement; (2) 'Close-knit community', characterised by increased external integration without membership; and (3) 'Good fences make good neighbours', characterised by increased external disintegration and the shift to more distant relationships. In light of the nature of these choices, which can in principles applied to any sovereign country of the world but whose success depends on a delicate combination of mainly 'subjective' factors at the local, EU, and international level and may be pursued simultaneously in relation to different groups of countries, it seems more appropriate to avoid a narrative methodology and provide instead an analytical overview of the projected outcomes, conditions, and likely scope of applicability of each scenario. The remainder of the chapter is devoted to a description of the three scenarios and a final summary of their main features.

**Figure 5.1 Love thy neighbour 2035: three scenarios on external integration**



**Extended family**  
(EU enlargement)



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



**Good fences make good neighbours**  
(external disintegration)

## 5.1 Extended family: EU enlargement



**Extended family**  
(EU enlargement)

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

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

The conditions for a large new enlargement wave are widely considered to be unrealistic in absence

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

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

## 5.2 Close-knit community: external integration



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

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

Supporters of external integration point to its ability to deliver the essential functional benefits of integration while respecting vital national preferences and political sensitivities, enabling both parties to design mutually advantageous bespoke deals. Opponents of external integration can be divided in two groups: supporters of full integration through accession emphasize the costs of non-integration in all areas not covered by the agreement and the self-incurred dominance of third countries, which must

comply with relevant EU norms without having a say on how they are formed; supporters of external disintegration highlight instead the detrimental impact of existing commitments on national autonomy and policy effectiveness.

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

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

### 5.3 Good fences make good neighbours: external disintegration



**Good fences make good neighbours**  
(external disintegration)

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



EU with most states beyond its immediate neighbourhood (Europe and the Mediterranean) or historical sphere of influence (e.g. the African, Caribbean, and Pacific parties of the Cotonou Agreement).

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




The general conditions for external disintegration are the obverse of the ones for external integration: (a) an unfavourable perception of the mutual benefits of integration compared to the status quo and other alternatives; (b) the incapability of elites and negotiators to reach mutually acceptable agreements or impose unbalanced ones; (c) the rise of practical, political, and geopolitical obstacles to a closer relationship, such as incompatible policies, domestic opposition, or great power interference. These conditions frequently apply to regional organizations, which must contend not only with global trends and specific national disagreements but also with competing states and organization offering alternative options to third states. In particular, a further comparative economic and political decline of the EU would encourage external disintegration while its economic recovery and geopolitical deepening would discourage it.

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

## 5.4 Summary

A synthetic overview of the key features of the three scenarios on external integration is provided in Figure 5.2. The first scenario, 'Extended family', foresees a path of integration through enlargement; the second scenario, 'Close-knit community', charts a path of integration through closer differentiated relationships without membership; the third scenario, 'Good fences make good neighbours', anticipates a path of disintegration through more distant differentiated relationships with weaker commitments and less alignment.

**Figure 5.2 Love thy neighbour: overview**

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

The three scenarios can simultaneously become reality in relation to different countries and groups of countries: for instance, with the EU accession of Montenegro, a closer external relationship with Albania, and a more distant external relationship with Serbia. A large new wave of enlargement is extremely unrealistic, in light of a host of technical and political constraints, but a few countries in the Western Balkans may manage to accede under very favourable conditions. External differentiation and disintegration are more likely and may affect several neighbourhood and non-European countries. For the majority of non-EU members, the most likely development seems to be a stagnation around their existing type and level of external integration.

## 6. Conclusions

This report has developed two sets of scenarios on the future use of internal differentiation, external differentiation, and other forms of flexibility in the European Union over the next fifteen years (2035). The first chapter has reviewed the literature on scenario-planning and developed a methodology appropriate to our specific aim. The second chapter has explored the key external and internal trends and events likely to affect the course of European integration in the medium term, putting forward evidenced-based predictions on their plausible and likely range of variation and impact. The third chapter has explored the literature on differentiation and flexibility, outlining the drivers, features, outcomes, and normative implications of a variety of design choices. The fourth chapter has presented and discussed a set of four scenarios on internal integration, titled 'European landscapes 2035'. The four scenarios visualize in a narrative style four plausible lines of development of EU institutions and policies: (1) 'Highland Europe', characterized by uniform integration; (2) 'Mountainous Europe', characterized by differentiated integration; (3) 'Lowland Europe', characterized by uniform disintegration; and (4) 'Archipelago Europe', characterized by differentiated disintegration. The fifth chapter, finally, has presented and discussed a set of three scenarios on external integration, titled 'Love thy neighbour 2035'. The three scenarios outline in an analytic style three possible lines of development of the external relations of the EU with third countries: (1) 'Extended family', characterized by EU enlargement; (2) 'Close-knit community', characterised by increased external integration without membership; and (3) 'Good fences make good neighbours', characterised by increased external disintegration and the shift to more distant relationships.

The exercise contributes to the emerging literature applying the method of scenario-planning to European integration and offers to policymakers, experts, and citizens a useful tool to think about the future of

the EU, stimulate an informed debate on desirable visions, threats, opportunities, and strategic choices, and assist the design the appropriate institutional, legal, and political solutions.

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