



BUDAPESTI
CORVINUS
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**Connecting the EU of Shared Aims,
Freedom, Values and Responsibilities
PECSA International Conference**

**EU Reforms and the Nations
Tibor Palankai and Gabor Miklos
Corvinus University of Budapest**

Warsaw, December 5 2019

EU Integration at New Stage

From 1990s EU reached a level of uniquely high integratedness: (Integration Profile)

- 1) High real-economic integratedness (high intensity of relations, and interconnectedness, and relatively balanced interdependences; (for CZ, HU or SK „extremely high”).
- 2) EU the only integration organisation with *closely complex single internal market* and *a single currency* (the 19 members of Euro-zone control 77% of the EU total GDP). EMU.

EU Integration at New Stage

The EU is unique in terms of:

- 1) It extended the *principle of cohesion to the level of the Union* (Structural Funds),
- 2) It obtained *certain political identity (polity) with several elements of supra-nationality*;
- 3) It is aspiring for *global power role*;
- 4) EU is a *model for regional integration*.

Nations in Changed Position

The international integration brings substantial changes in *the national economies, both in structural and policy terms.*

Internationalisation of national economies, started right from the beginning, and national and world markets developed hand in hand; of course, their relations were differing depending on the level of development, size and structures of economies. Recently, this internationalisation became highly intensive.

Nations in Changed Position

These new quality of relations assume *internal adjustment and transformation*.

We can conceive this as extension of national integration to *external and internal dimensions*.

As result, these *external and internal dimensions* give the *dual character of national integration processes*.

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These new developments are addressed primarily by the post-functional analyses.

Nations in Changed Position

The relations international and national integration have become closer, interrelated and interdependent. The integration reached a level, when its development has repercussion on the national economies, and vice versa, the development and success or failure of adjustment of national member economies can determine the whole integration process of the Union. Integration measures can face serious national counter-interests and opposition, and are possible only through tough bargaining, coordination and consensus seeking. All these no longer are matters of the elite, but call for broad democratic public support.

Nations in Changed Position

The national adjustment (internal re-integration) is a basic component of the new stage of integrational integration. It has structural and regulatory dimensions.

- In structural terms, national adjustment is based on market forces, but it can be supported by several policy factors (“policy mixes” as structural, income or social).*
- In regulatory terms, the national and the community dimensions are the two basic elements (“legs”) of multi-level governance structures. This is strategic up grading the importance of the nations in integration processes. This is the main point and the conclusion of this paper.*

Adjustment of national policies

Main components of national policy mixes:

- development of infrastructure and the quality of human capital (education, training and health);
- social and employment policies (the single market has already called for this),
- income and social partnership policies (supporting price stability);
- social, regional and welfare policies (for coping with social and regional inequities);
- structural or innovation policies.

Nations in Changed Position

- It is important to stress the *„national level” has the most complex and efficient institutional and regulatory structure with the broadest democratic and legal mandate.*
- As the experience of the last two decades showed, most governments neglected the importance of *responsible adjustment policies*. The *failure of internal transformation and restructuring, the deficiency of national policy adjustments (often just free riding) play prominent role in the recent crisis of European integration.*

Directions of National Adjustments

- The successful national adjustment assumes *maximal exploitation of the benefits of integration*. Two main policy priorities: *competitiveness and convergence*.
- All these increase the importance of innovation, education and training, care about health, development of infrastructure and their supporting policies. Competitiveness means not only globally competitive companies and sectors, but also a competitive national middle class and political elite, able to defend the interests of its country. Innovative thinking and mentality should pervade the whole society.

Directions of National Adjustments

- Concerning company sector including FDI, for the longer run, investment and entrepreneurship friendly atmosphere are needed through eliminating bureaucracy and corruption with transparent and calculable policies.
- Particular *attention should be given to local small and medium sized companies*. The success of SME, either as parts of transnational company networks (value chains) or taking transnational company attitudes in their own right are basic indicators and factors of competitiveness of a country. This is the main deficit of new members economies.

Directions of National Adjustments

Addressing cohesion crisis, and restoration of social stability assumes the reform and *upgrading of existing social models*, both in national and community dimensions. With the emergence of knowledge- and competition-based societies, the *classic welfare state, based on paternalistic distributions, became largely unattainable and obsolete*. The Lisbon Treaty pledged itself to a “competitive social market economy”, as a desirable model. We propose to add the adjectives of “eco-social” and “democratic” ones. “Democratic” adjective refers to need for fair competition (anti-monopoly legislation) and fighting against corruption.

New Role of Nations

In the *future stability* of integration and its *effective adjustment and governance* assume constructive national attitudes and policies.

Open, cooperative, inclusive and competitive nations form an integral part of a contemporary integrated system.

Accordingly, what we need are transformed and adjusted nations, which are able to face the challenges of international integration in the 21st century. Through that, they can increase their importance. *The changed position of nations requires new ways of thinking and policies.*

New Role of Nations

The success or failure of national adjustment (internal re-integration) determines not only the development and well-being of the given nation, but also that of the whole Union. It assumes competent and responsible politicians with equal devotion to their nation and the whole union. It became clear, that nations do not disappear in the foreseeable future, but they are fundamentally changed and different, both in their role and functioning as they were even just 50 years ago. What is eroding, that is the classical national state, and what needs to be rejected is archaic nationalism.

Need for Reforms

So far the *integration project was largely shaped along the lines of interests and the will of old member countries*. This applied to all major integration projects such as the single market and monetary integration. The Eastern enlargements, however, have brought substantial differences among the 27 members, which even later on in the decisions were largely not taken into account. The differences are not only economical, but historical, cultural, religious, social, political, and geographical or many others; and they are even more decisive.

Question marks about Single Market and EMU.

Need for Reforms

The reforms assume political and legal changes. These changes are so complex that it is hardly possible without reshaping the basic institutional and policy framework. We support the idea that we need *a new treaty of the Union, which should bring fundamental changes in its all dimensions*. New members should be active participants of these processes. Europe has all the political, professional or financial potentials to address all of these challenges. What is weak that is the will and determination of deeper cooperation.

“Multi-speed” Europe as integration model

Due to substantial differences, multi-speed Europe is a realistic option. Supportable on conditions:

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

What sort of Federal Future?

The EU owns already several element of supra-nationality. Recent reforms of Euro Governance extended it. A future federal configuration can be reasonably presumed. Functional federalism remains dominant over a political one. Various forms of *multinational federal structures* can be acceptable, which preserve the culturally and nationally heterogeneous character of Union, and consider “*sub-state nations*” as the basic resource of its development. A solid federation should be *based on organic and democratic development*. For nations coming out of an oppressive federation is not easy to join an evolving new one, even if it offers to guarantee all their democratic aspirations.

Democratic Integration

Need for control of excessive economic and political power:

- Increase of efficiency of anti-monopolistic legislation and policies;
- Improve efficiency of democratic control (TNCs) of democratic institutions (parliament, policies);
- Encourage corporate social responsibility;
- Increase the civil control toward excessive economic and political power and corruption.

END

THANK YOU



Prof. Palánkai Tibor