



## **Berenberg/HWWI study: “We need a ‘club of the willing’ to return to a dynamic Europe”**

Hamburg/Berlin. Private bank Berenberg and the Hamburg Institute of International Economics (HWWI) look at the topic of Europe in their latest study. Recent events have made clear that the European Union is facing a serious crisis. The causes are many and varied – the answers are commensurately complex with momentous consequences.

“Acceptance for increasing economic and social integration is falling among the public at large, and nation states are insisting on regaining more sovereign freedom to act,” says Dr. Jörn Quitzau, economist at Berenberg. At the same time, a breakup of the European Union coupled with a return to a ‘Europe of nation states’ is just as improbable as the scenario of a rapid deepening of the EU in the direction of a ‘United States of Europe’. “A multi-speed Europe, in which we allow different and flexible degrees of integration, looks like an economically pragmatic and historically responsible way of overcoming the EU’s institutional crisis,” says HWWI Director Professor Henning Vöpel. “A ‘club of the willing’ can drive integration to help us return to a dynamic, legitimised and attractive model of Europe.”

### **Two-speed Europe (‘club of the willing’)**

The feasibility and impact of this ‘club within the club’ will depend crucially on which countries come together and in which areas, and through what type of measures, they deepen their integration. “It would be imaginable for certain areas to be added to the reach of community law within a ‘club of the willing’, such as a fiscal union, the issuance of joint bonds or industrial development, while the non-

club members within the EU remain at the present level of integration,” says Vöpel.

A cluster analysis was carried out to identify five groups of EU member states that could make deeper cooperation possible on account of their common interests. To achieve this, the degree of economic integration and the level of socioeconomic development were analysed as key characteristics. One **cluster** comprises **Belgium, Germany, Austria, France** and **Spain**, for instance. There are good prospects for pro-European cooperation among this group of countries. Another cluster, on the other hand, stands more for national freedoms and scepticism towards a deepening of the EU. Alongside the **UK, Denmark, Finland, Ireland**, the **Netherlands** and **Sweden** belong to this group. “A central challenge when designing this process from the perspective of the EU as a whole will be to make the conditions for joining these clubs neither too loose nor too strict so as to promote convergence and not entrench divergence,” states Vöpel.

### **Scepticism of globalisation slows the integration process**

The internal crisis of the European Union is exacerbated by the challenges associated with the upheavals of globalisation. A general malaise with globalisation is currently doing the rounds. According to the ‘globalisation trilemma’, it is not possible to realise national sovereignty, democratic policies and economic integration at the same time. Up until now, economic integration was often preferred to national sovereignty and democratic participation. It now looks as though the pendulum is starting to swing back to the other direction. “We expect to see a break in the globalisation process. The opposition to the TTIP free trade agreement is a clear sign of how weary many people have become of globalisation,” states Jörn Quitzau.

### **Principle of subsidiarity for a better Europe**

There are a number of starting points for a better Europe. A key role in this regard is played by the principle of subsidiarity: “European solutions are only needed where problems like climate change and financial stability do not stop at national borders,” explains Quitzau. “In other cases, political decisions at national

level are preferable. This type of politics meets with greater acceptance among the public at large.”

### **Switzerland as blueprint?**

Switzerland can be seen as a model for the European Union. “For a long time now, the country has succeeded in bringing the dissimilarity in terms of language, culture and mentalities together under the roof of a single nation with a single currency, without serious friction,” says Quitzau. No doubt the reasons for this success include the relative weakness of the central government coupled with the high level of cultural and structural autonomy enjoyed by the cantons and communes and a strong civil society.

“The big idea of a federal European state is an idea for the future but not for the present,” summarizes Berenberg economist Jörn Quitzau. “The vast majority of citizens still do not have a European identity. This may well look different a generation on from now. But until that point, small steps should be preferred over big leaps. Changes in line with the habits and the views of the public are far more promising than any attempt to enforce the changes quickly from above. Otherwise the EU would overreach itself.”

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### **About Berenberg**

Founded in 1590, Berenberg is one of Europe's leading private banks today, offering services in the divisions of Private Banking, Investment Banking, Asset Management, and Corporate Banking. Headquartered in Hamburg and led by managing partners, Berenberg maintains a strong presence in the financial centres of London, Zurich, New York, and Frankfurt, and has a total of 19 offices in Europe and the Americas. More than 1,330 employees carry the bank's long tradition of success into the future.

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