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IN OR OUT OF THE EU: DOES IT MATTER?

Аннотация. В статье рассматриваются аргументы за и против европейской интеграции. Примеры Brexit и потенциального вступления новых стран в Европейский Союз демонстрируют два противоположных взгляда на интеграционный процесс. Исследование фокусируется на мотивах страны и возможных экономических и политических последствиях применения каждого конкретного подхода.

Abstract. The article examines the arguments for and against European integration. Examples of Brexit and the potential entry of new countries into the European Union demonstrate two opposing views for integrational process. The study focuses on the country's motives and possible economic and political consequences of adhering to each particular approach.

Ключевые слова: интеграция, Европейский Союз, Brexit, еврозона.

Keywords: integration, the European Union, Brexit, Eurozone.

The European Union (EU) is a unique political and economic union of 27 member states that are located primarily in Europe. Its members have a combined area of more than 4 million km² and an estimated total population of about 450 million. The predecessor of the EU was created in the aftermath of the Second World War. It was a time when cooperation was the only possible choice after the protracted global conflict to help the continent get back onto its feet.

By 1951, Italy, Germany, France, Belgium, the Netherlands, and Luxembourg came together to create an economic pact regulating the production of the main industrialization products - coal and steel - to re-industrialize the continent.

It would only take another 20 years for this group to agree on even closer cooperation - the European Community (EC) which focus on a common agricultural policy as well as the elimination of customs barriers. The EC has continued to expand with new members and eventually become this economic and political union that we know today as the European Union. The historic agreement that formed this supranational cooperation was established by the Maastricht Treaty in 1992 by 12 members' state. The treaty was designed to enhance European political and economic integration by creating a single currency - the euro, a unified foreign and security policy, and common citizenship rights and by advancing cooperation in the areas of immigration, asylum, and judicial affairs. So, the treaties are the basic foundation of the European Union construction and functioning that is a unique way to establish government-like structures in world practice.

The European Union was created as a coalition of European countries, designed to tear down trade, economic and social barriers and promote flourishing in these areas. The union ensures stable peace on the continent, guarantees human rights, high social and environmental standards, and freedom of movement. Free economic exchange and mutually beneficial cooperation have become main principles of the union. The organization operates common for all member states economic, social, and security policies through a hybrid system of supranational and intergovernmental decision-making. However, the EU does not, unlike most states, control foreign policy, defense policy and the majority of direct taxation policies. 19 of the countries use the euro as their official currency. 22 EU member states participate in the Schengen agreement that was signed in June 1985 by France, Germany, and the Benelux countries. It has abolished border controls and facilitated the free movement of people.

Cooperation often leads to several different benefits, but the European Union does have some struggles to review as well, moreover, EU membership is not considered to be without costs. In this essay, we will try to explain the advantages and disadvantages of being a full member of the EU. Also, we will analyze specific cases of states in their decision-making process to be in or out of this supranational cooperation. We will also examine the specific implications of these decisions.

Advantages of being in the European Union

One of the most obvious benefits of being a full member of the EU is a common market. The European Single Market was established by 12 countries in 1993 to ensure the so-called four freedoms: the movement of goods, services, people, and money. So, it implies not only the free movement of production output but also the free movement of production factors. This means, on the short term, the appearance of some structural and specialization adjustment processes within the member countries, and on the long term a more efficient allocation of the production factors, an improvement of labor productivity and positive effects in the field of labor force employment, economies of scale.

A functioning single market removes customs barriers, stimulates competition and trade, improves efficiency, raises quality, and helps cut prices. There are also common production standards, which reduces information failure allowing consumers to make more rational choices. So, for example, the accession to the European Single Market country will get highly diversified and high-quality products from EU less expensive than previously. It should be noted that a non-member state of the EU can be a member of the European Single Market or/and the European Customs Union. So, Iceland, Liechtenstein and Norway included into the European Single Market through the Agreement on the European Economic Area (EEA), Switzerland through bilateral treaties, and the United Kingdom through the duration of its transition period as specified in each Brexit withdrawal agreement. These countries participate in the EU internal market, but with certain restrictions, including agriculture and fisheries, and they are obliged to comply with most of the rules set by the European Union. However, they have greater flexibility in concluding bilateral trade agreements with non-EU countries.

The countries and economies of Western Europe are small compared to the likes of the United States or China. The only way these countries can negotiate on an equal footing is by also being big. That is the prominent benefit. The European Union economy consists of an internal market of mixed economies based on the free market and advanced social models. The European Union's GDP was estimated to represent

22% of the global economy in 2018. Largely thanks to the Single Market and its strong economic power, the EU can have better trade agreements because of the leveraged power of the EU that make products to be priced lower for consumers throughout Europe.

The euro is the second largest reserve currency as well as the second most traded currency in the world after the United States dollar. The main benefits of this common currency are lower transaction costs, transparency of prices, and a greater degree of certainty and stability of prices. In addition, the creation of a single currency resulted in the uniformity of interest rate, elimination of currency risk and increased scope and liquidity to bond and equity markets. Also, common currency means more integrated financial markets and a strong presence for the EU in the global economy. Euro eventually become a reserve currency in many parts of the world (20,5% of reserves in 2019) despite the US dollar dominance (60,9% of reserves in 2019).

The EU is one of the most preferred destinations in the world for investment. The investment policy of the European Union provides investors with a kind of stability and legal certainty coupled with an environment conducive to carry out business under the international rules. This destination is also preferred because of the diverse booming industries in various countries within Europe. Another effect is an easier technology transfer to Europe. All of this explains the growing inflow of FDI in EU, that is a way of promoting economic and social growth and development.

Companies and small businesses, including freelancers, can find more opportunities available to them because of the European Union. There is higher-skill workforce available in Europe today because of the EU. Free movement of labor has helped create a more flexible economy. For example, Western Europe has benefited from the immigration of Eastern European workers to fill labor market shortages in certain areas, such as plumbing, nursing, and cleaning. Moreover, the European Union promise protection against the downsides of globalization by supporting small businesses and rules to make sure that big companies pay their fair share of tax.

EU competition policy has harmonized regulation of monopoly and cartel power within Europe. The EU competition policy seeks to avoid abuses of cartels / monopoly

/ dominant market power and protect the interest of the consumer. There has been successful deregulation of airlines, electricity, and gas markets.

The EU is not simply a single market for goods and services. Europeans share values that are spelt out in the EU treaties and the Charter of Fundamental Rights, which guarantee rights to EU citizens. The EU has a strong commitment to human rights, preventing discrimination and the due process of law. It aims to protect all vulnerable groups and minorities to ensure that every person receives the same vote, equal rights, and a chance to pursue whatever opportunities they desire. This makes the EU attractive to countries, that experienced serious problems with democracy and wish to share in similar legal and human rights, such as Baltic countries in the past and Ukraine today.

Income inequality is a very important indicator for the state. High levels of income inequality frequently reflect limited opportunities for poorer people and have various negative consequences, including poor health outcomes, weak social mobility, and potential swings towards political populism. With a low Gini coefficient of 0.3 in 2018, the European Union has a more egalitarian distribution of income than the world average and proves the effectiveness of European social policy.

Cohesion policy is the European Union's strategy to promote and support the 'overall harmonious development' of its Member States and regions. Cohesion Funds invests in poorer areas of the EU to help reduce regional economic and social disparities and to promote sustainable development. It helps poorer nations to become richer which in the long run means a bigger marketplace for goods. The EU spends the money on a wide range of projects, but about three-quarters of the budget every year goes to two main areas: agriculture and development of poorer areas of the EU.

So, for example, when Hungary became a full member of the European Union in 2004. For the period from 2007 to 2013, Hungary has access to €23 billion from the European Structural and Cohesion Funds of the European Union. These funds are being distributed to enterprises and certain government institutions under the scope of the Government's development plans. It has had a positive impact on the Hungarian

economy and provided several competitive advantages for foreign companies setting up a permanent presence in the country.

Since EU legislation and social institutions are brought to a common standard - for example, school curricula are similar in all countries - it means that a student can move to another country at any time and continue their studies there. It helps to establish international labor exchange, increase competitiveness and efficiency of education. Adoption of the Erasmus program also motivates young people with administrative and financial help to make an international experience in another member state. Consequently, there are more higher wages job opportunities for students across Europe. Up to 1 in 10 jobs on the continent are linked to the EU, with additional opportunities in exports or imports around the world linked to this structure.

Every EU worker has certain minimum rights relating to health and safety, equal treatment at work; protection against discrimination; labor law (part-time work, fixed-term contracts, working hours, employment of young people, informing and consulting employees). Because of EU countries close cooperation, its food condition meets the world's highest quality standards. European product standards even tend to be adopted as the global norm.

Freedom of movement and residence for persons in the EU is the cornerstone of Union citizenship. It enables the free movement of its members from country to country and the possibility of working and settling down in a new country. It also makes travel easier and accelerates cultural exchange. On the other hand, the EU has never had one official language and does not interfere with the cultural aspects of any country. This helps to ensure that, while you are part of the union, you are also your own country.

The European Union is a political union. Its long reach goals are political in terms of achieving, for instance, a common understanding of peace, by finding common ground in terms of political values, as seen in the Treaty of Lisbon. Member states share sovereign and take decisions through treaty-based inter-government councils supported by a transnational directly elected parliament. The EU Commission acts as an appointed agent on behalf of member states which develops legislation, ensures EU procedures are enforced and conducts external trade relations. Creation of

political union also supported economic union by creating a level playing field for the internal market.

27 EU countries acting like the unique political power have much more of a voice and political clout on the world stage than 27 small and medium-sized nations acting separately. Every member country has one commissioner in the European Commission, regardless of the size of the country. It is an advantage especially for small states that gives them a lot more opportunities to influence politics in the whole continent.

The European Union creates an allied front against outside aggression. It helps to share resources, including intelligence and military training, which proactively prevents other countries from taking advantage of the smaller size of most countries on the continent. It is a counterbalance to US financial and trade imperialism and Russian aggression from the east.

The European Union (EU) has one of the most extensive environmental laws than any international organization. Its environmental policy is significantly intertwined with other international and national environmental policies. The EU shares competence in the environment with the Member States and has legislated on a range of environmental issues such as air and water quality, climate change, species and habitat protection.

According to the "European environment: state and outlook 2015", published by the European Environment Agency, Europe's environment and climate policies have delivered substantial benefits, improving the environment and quality of life, while driving innovation, job creation and growth. The European Commission highlights that full implementation of environment legislation could save the EU €50 billion every year in health costs and direct costs to the environment.

Disadvantages of being in the European Union

There are numerous economic advantages to consider when joining the European Union, but each country must have a robust financial foundation available to participate. The European Union has a budget that finance policies carried out at European level are financed mainly by the contributions of Member States. In the 2018

budget, ten EU members were contributing more than they got out of the EU, at least in terms of direct monetary contributions. Germany, with a net contribution of about €17 billion, was the largest contributor to the EU.

If the country intends to become a member of the European Union, it must be ready to increase a lot of costs due to compliance with EU regulations, such as, for example, common technical standards, expenses related to the adoption of all EU norms and standards by enterprises. Countries that join the EU, in most cases, also must adopt the euro as their main currency. Cost of introducing the euro there could be very significant. Moreover, as in the case of Greece, this could lead to inflation, debt crises from trade etc.

Vast differences in economic performance between countries make it hard to implement one-size-fits-all fiscal policies. For example, the inflation level set by the European Central Bank may not work well for all eurozone countries. This also means that weaker economies can pull down stronger economies, as is the case in the current debt crisis, with heavily indebted countries like Greece negatively impacting the stronger economies of Germany and France.

Also, it could be the problem that the common monetary policy is set for the whole Eurozone. It has proved to have many problems and contributed to low rates of economic growth and high unemployment across the EU. The European Union is using the same currency, with the same interest rates for very differently developed countries. This means that the interest rates are similar for countries with different growth prospects. So, the ECB set higher interest rates to favor, for example, the German economy and help to boost the European economy through that, but these higher interest rates were not appropriate for some other countries such as Greece or Italy. During the last world crisis, many southern European countries have faced pressure from the EU to pursue austerity – spending cuts to meet budget deficit targets, but in the middle of a recession these austerity measures have contributed to prolonged economic stagnation.

Although the EU proclaim claims to be an exemplary democratic institution, there are some problems in the execution of this democracy. Most of the official

representatives of the EU are bureaucrats not elected directly by the people of Europe. The only body whose representatives are chosen by citizens of the European Union is the European Parliament. And in fact, the European Parliament is the quite weak body in terms of political power compared with the other three EU organizations, it even has no right of the initiative. Also, the EU does fall on transparency. The elected governments of the member states are not keen to grant access to debates in the Council, which are held behind closed doors – and where most important decisions are made. Not even representatives of the European Parliament can attend.

Of course, European Single Market extremely rich and powerful market where you can sell almost anything so you will have very strong financial stability, but, on the other hand, you can end up with a demographic disaster. This is happening, for example, with Croatia now and many other countries, when many young and educated people that can work in any country in the EU will move to some other, more developed country, usually Germany.

Worker mobility is not as great in the EU as hoped. Many businesses still see barriers to go international. European diversity makes it harder for workers to deal with unemployment than it does in a country with less diversity in language and culture. Because of this, for example, if Hungarian got unemployed, speaking the language which is completely different from most European languages, for him/her it would be much harder to find a new job in another country.

The language and culture are quite different in Europe. It becomes very difficult for the EU to communicate with all its citizens because they all speak a different language and share different cultures. This also impacts the feeling of unity among its members. It makes it harder to bring people together.

The European Union is a strong movement towards political union, that quite differs from simply economic union the EEC. Of course, the creation of the European Union has helped maintain peace on the continent, but in many ways, it is also a credit to NATO. But it has not stopped a rise of nationalism, fascism, and other problematic government structures over the years. So, the rise of nationalism in Hungary, autocratic tendencies in Poland, as well as persistent problems with corruption in Romania and

Bulgaria have put pressure on the EU's commitment to liberal democracy and the rule of law. Some of these problems at the stage where states might be denied entry to the EU if they were not already a member of it. This adds questions to the observance of shared values.

One of the biggest disadvantages for a nation to join the EU is the loss of sovereignty. Every year the EU tries to implement new policies and laws related to enlargement of the integration process. New rules and changings in social, political, and economic life lead to the loss of sovereignty and reduced autonomy in the countries decision-making process. There are many different cultures and ethnicities in Europe which see things differently, and it is not always possible to reconcile their differences. Not only is there a clear divide between the east and the west, but there are divisions of size to consider as well. Some of the laws and regulations that are essentially demanded by the EU may be counterintuitive to what specific nations may require. The perspective is that the good of the many must be pursued, even at the cost of a single nation.

Bureaucracy within the EU is notoriously slow. Any type of government moves goes with the speed of a snail. Decision-making process is long and does not allow a rapid and flexible response to the changes that occur. As a result, the EU is losing much of its policy effectiveness and timeliness.

There are more than 5 million km² of the territory that abolish or minimized border controls in the frames of the EU and Schengen agreement. It adds to the sense of European unity, but, on the other hand, this is a great challenge for national security. It creates more opportunities to bypass border controls. With the worsening situation in the Middle East, Europe was flooded with migrants, including illegal ones. This, among other things, has worsened the criminogenic situation in the region. Since 2014, the number of terrorist attacks experienced on the continent has risen significantly.

Brexit case

Assessing the advantages and disadvantages of membership in the EU, since the Treaty of Lisbon in 2009, Member State can freely and unilaterally exit the EU (EU Treaty, Art. 50 "Any Member State may decide to withdraw from the Union in

accordance with its own constitutional requirements”). Brexit is the UK’s exit from the European Union. It follows a referendum result of 2016, in which a majority (52%) voted opted to leave the European Union. The UK, which has been part of an alliance since 1973, officially left the EU on January 31, 2020. It was a precedent for the ability to exit the organization.

Why did Great Britain decide to take this serious measure? Many believe that the UK was held back by the EU, imposed too many rules for business and charged billions of pounds a year in membership fees for a small amount in return (the UK was the second net contributor in the EU after Germany). Economically, Britain would immediately save €11 billion a year in EU budget payments.

Freed from famously heavy EU regulations, Brexit supporters say, Britain would attract greater investment and become a more dynamic economic hub. It is an opportunity for the UK to follow its own trade policy with the rest of the world. However, at least in the nearest future, the EU will remain the UK's main trading partner.

Supporters of the UK's exit from the EU wanted to take back full control of its borders and reduce the number of people coming here to live and/or work. About 1 million Eastern Europeans have moved to the UK. Brexiters say these migrants have overwhelmed the housing system and abused Britain's generous in-work benefits. For them leaving the EU is an ability to take more control over how many migrants are allowed to enter. That has become a big selling point especially after the influx of 1 million refugees from the Middle East into EU countries.

For many people in the UK, the real issue at stake in Brexit is national sovereignty. They believed that more and more of the UK country’s power has been moved to the EU bureaucratic machine. So, for them, they don't want to see Britain as a part of this political union, they are not anti-European they what to have a Europe as a partner, they want to take part in the economic advantages of the European project, but make all political decisions independent.

What does it cost? The United Kingdom has already incurred the costs of setting up a new government Brexit department, the consultants, additional civil servants,

trade negotiators and lawyers' fees. The country has carried great opportunity costs such as time, money, resources, legislative process, debates, negotiations, and overwhelming preoccupation. The cost of the divorce bill should be also considered. According to estimates from Bloomberg, the cost of Brexit will reach £200 billion in 2020 for the whole period since 2016.

According to economic researchers, Brexit would lead to a decline in the UK per capita income. It would further lead to the lowering down of numbers of EEA immigrants to the UK that would eventually lead to a lower flow of skilled and unskilled labor in the UK. Long- run effects might be horrendous as it might make the UK poorer causing new barriers to FDI, trade and immigration. According to NIESR, Brexit vote has cost each household more than 600 euros a year. Also, the UK will no longer be much of a magnet for those ambitious Europeans looking for work, the country may lose some professional capacity.

Brexit may cost Scotland, the entire country. Because of the strong separatist and pro- European sentiment in this region (the majority of Scots voted to keep the UK within the European Union), in the near future, the region may secede from the United Kingdom.

Brexit, the case has set a precedent that will significantly influence how the EU continues to develop. Now countries will see the cost and results of the state's exit from the European Union. They will easily and at the same time more rationally assess the need to exit the EU.

Balkan newcomers' case

Becoming a member of the EU is a complex procedure which takes a lot of time, political, administrative effort, financial resources. The Treaty on the European Union states that any European country may apply for membership if it respects the democratic values of the EU and is committed to promoting them. There are several conditions which an applicant nation must meet to be considered for qualification. These conditions are known as the "Copenhagen criteria" and include a free-market economy, a stable democracy and the rule of law, and the acceptance of all EU legislation, acceptance the euro as the national currency. It could be very challenging

to cope with it. The process of admitting new members is also complicated by the fact that the decision should be a unanimous one for all Member States.

Today, the main candidates for membership in the European Union in the near future are countries of Western Balkans. The Balkans see many benefits and opportunities in European integration. Significant efforts have been made in these countries to comply with European requirements. The EU promised North Macedonia integration if it solves the quarrel with Greece. Albania also received similar promises but got nothing in return. But in 2019 France has vetoed the beginning of accession negotiations, explained it with necessary to reform accession procedures before any new country can join the EU. The French government also take into account recent EU enlargements to Central and Eastern Europe, which has now resulted in autocratic tendencies and the open issue of corruption. Some argue that this decision was dictated by Macron's desire to stay in his chair. With the growing importance of the far-wing parties among others in France, he does not want to give to people like Marine Le Pen's political party some arguments against him.

Many rightly point out that, a few tiny newcomers will not change much to the current shape of the EU. And in the long term, it is a win-win strategy: newcomers will receive necessary push for the further development and wealthier they are, the more the EU can trade with them. It will also have some positive impact in a term of removed borders and de-escalation of tension with neighboring countries.

But the decision was made. Given that the process of admission of new members is very long, we are likely to see no European expansion in the Balkan region in the coming years. And given the significant number of drawbacks of the European Union and keeping in mind the complicated procedure of withdrawal from the EU, on the part of these countries, it may be decided to change the attitude towards European integration.

Conclusion

Does it matter: in or out of the EU? It is easy to answer this question - of course, it matters. It's a lot harder to answer in what situation and for whom these options might

be beneficial or unproductive. There is a huge number of issues needed to be considered when making a decision: in/out of the EU.

Analyzing the arguments presented for and against European integration we can see that a huge number of benefits can come from this cooperation. When we come together in the spirit of cooperation, then there are higher levels of accountability present in society. It becomes easier to avoid problems or correct issues so that everyone has a fair chance of success. That is what the European Union does exceptionally well. However, the disadvantages of accomplishment of this integration process present on a large scale. For some countries, a certain form of integration may not be tactically advantageous under certain conditions.

Brexit came, making doubts in the EU values of cohesion. The problems of neo-nationalism and authoritarianism have reappeared on the continent. But the problems Europe is facing go far beyond Britain's decision to leave and raise serious questions about Europe's future role in world politics. In the long term, the European Union needs to identify its weaknesses and try to minimize their negative impacts. This can be achieved democratically, through new reforms and the gradual evolution of the European Union structure.

Europe is a very complex and multicultural entity. It has always had to balance the extremes in the past, from economics to religion, and that has not always been successful. Now that everyone is in economic cooperation at some level, Europe got a strong political and economic voice in the world. Individual nations may see themselves as being less independent, but they may also experience huge economic benefits in return. Each Member state has unique needs that a whole organization cannot always meet. That is why there will always be some level of discontent in Europe, despite the overall gains. Balancing and optimizing these benefits and discontents is a keyway of further long-term EU development.

There are many challenges to the integration of each state, ranging from internal problems to global political and economic processes. I consider this is the price you need to pay for future prosperity. Despite the deficiencies, it must be admitted that the EU has largely succeeded in realizing its objectives and it has made a definite positive

contribution in the rapid economic advance of its member countries. European capacity to function as a union proves to be much higher in comparison with the capability of the small separate countries.

Today, coronavirus has become another major challenge that will affect the future of the EU. This is an occasion to demonstrate, once again, fundamental values of this organization, such as solidarity and cohesion.

Concluding, my point of view is that even there are strong disadvantages for a separate country to become a member of the European Union, advantages that could be brought due to integration and future encouraging abeyance deserves the respective difficult way.

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