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КРИЗОВІ ПРОЦЕСИ У РОЗВИТКУ ІНТЕГРАЦІЇ В ЄС: ВИТОКИ ТА ПЕРСПЕКТИВИ

Розглядаються основні фактори, що зумовлюють кризові процеси в розвитку інтеграції в рамках ЄС та єврозони, пов'язані з асиметрією в системі макроекономічного регулювання та у співвідношенні між комунітарним та національним регулюванням. Автор обґрунтовує тезу про зумовленість кризи ЄС з циклічністю розвитку процесів регіональної інтеграції, пов'язаною з Кондратьєвськими довгими технологічними хвилями. Узагальнено існуючі теоретичні підходи до питання дезінтеграційних процесів та описано можливі сценарії подальшої еволюції ЄС та єврозони, які можуть реалізовуватись як у напрямі посилення інституційної інтеграції, так і певної дезінтеграції та утвердження моделі диференційованої (різнорівневої) інтеграції. Зроблено висновок, що інтеграційна стратегія України має бути скоригована і враховувати різні варіанти можливої подальшої еволюції ЄС. Для досягнення успіху ключові аспекти такої стратегії мають бути предметом багатоваріантних наукових досліджень, які обґрунтовуватимуть прийняття в майбутньому відповідних політичних рішень.

К л ю ч о в і с л о в а : Європейський Союз, європейська інтеграція, дезінтеграція, єврозона, економічний і валютний союз, кризові процеси, сценарії розвитку інтеграції (дезінтеграції).

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THE CRISIS PROCESSES IN THE EU DEVELOPMENT: ORIGINS AND PROSPECTS

The article examines the main factors that lead to crises in the development of integration in the EU and the euro area related to the asymmetry in the system of macroeconomic regulation and in the relationship between the Community and national regulations. The author proves the thesis that the crisis in the EU is predetermined by the cyclical development of regional integration processes dependent on Kondratiev long (technological) waves. He summarizes the existing theoretical approaches to the question of disintegration processes and describes possible scenarios for the further evolution of the EU and the euro area, which can be implemented in the direction of either

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strengthening the institutional integration or disintegration and consolidation of a differentiated (multi-level) integration model. The author concludes that the integration strategy of Ukraine should be adjusted to take into account various options and possible future evolution of the EU. To achieve success, key aspects of such strategy are to become a subject for multi-variant scientific research, which could provide ground for the future adoption of relevant political decisions.

K e y w o r d s : European Union, European integration, disintegration, the Eurozone, the Economic and Monetary Union, crisis processes, scenarios of integration (disintegration).

The 1990s and early 2000s were the period when the European integration triumphed and substantially advanced both in depth and breadth. In the former of these dimensions, it achieved a real breakthrough in the formation of the Economic and Monetary Union (EMU) that culminated in the introduction of a single currency – euro; in the latter dimension, it succeeded in an unprecedented territorial enlargement of the European Union. All these developments provided grounds to regard the integration process within the EU as the best model of a regional integration policy and a pattern to follow, turning the EU structure into a leading global economic and political power.

Against this background, the response of the integrated European economy to the 2008-09 global financial and economic crisis might look as a paradox. In fact, in no other part of the world, except the post-Soviet region, the global crisis did not cause such potent and protracted social and economic destabilization, with far-reaching consequences in the political life and social psychology modes, as it happened in the EU region, especially in its core – the Eurozone.

Moreover, as often happens, the road from Euro-euphoria to Euroscepticism, and even to a certain Euro-apocalyptic vision was not too long. We witness the rising surge of political claims made by top politicians who question the EU prospects; in the European Parliament, representatives of Eurosceptic parties occupy almost one third of the seats; their coming to power in a number of leading EU countries looks ever more plausible. However, the gravest sign of the political crisis that hit the European integration is certainly the British exit from the EU, the decision taken in the wake of the June (2016) referendum in the UK. The new U.S. President *Donald Trump* declares his sympathy with regard to this event and even makes considerations on who might follow (Gove, 2017).

This new political 'mainstream', which one might name '*the Renaissance of nationalism*', is based on a significant disappointment of the EU's broad public in the actual outcomes of the European integration that is accompanied by a visible decrease in public trust in the EU's key institutions. The latter was convincingly confirmed by regular opinion polls held by the *Eurobarometer* and other worldwide-known sociological services[1].

The preconditions of the current crisis in the EU had been shaping during a prolonged period. A decade has passed since the appearance of publications pointing to serious defects in the development of the EU and its member states (see: Alesina and Giavazzi, 2006; Taylor, 2008). However, after the global crisis retreated, trans-

[1] The author (Sidenko, 2017) analyzed this aspect of the problem earlier.

forming into the Eurozone crisis in 2010, we see a huge wave of publications on the EU crisis subject (see, inter alia: Hayward & Wurzel, 2012; Offe, 2015; Berend, 2017; Soros & Schmitz, 2016; Soros, 2014; Gilman & Weber, 2016). A most indicative was the estimation of the issue made by George Soros, who not merely proclaimed that 'The European Union is on the Verge of Collapse' (Soros & Schmitz, 2016) but also characterizes (Soros, 2014) the EU situation with the term 'tragedy'. Moreover, the American professors Nils Gilman and Steven Weber (2016) drew a parallel between the current state of the EU and the period of the collapse of the Soviet Union.

Simultaneously, the academic medium began to produce intensively research on theoretical issues of disintegration (see, in particular: Eppler & Scheller, 2013, 2014; Vollaard, 2008, 2014; Schmitter & Lefkofridi, 2016; Webber, 2011; Zielonka, 2012; Libman & Heifets, 18), bringing to the forefront the problem that had recently been almost a blind spot in the theoretical discourse on international economics. They emphasize the complex nature of the crisis manifestations in the EU that determine the possibility of such an outcome. To be more specific, the recent research of Iván Berend (2017) postulates the simultaneous presence of nine crises hitting the EU development – five avert (the euro crisis, the Greek debt crisis, the Russian challenge to European security, Britain's exit from the Union, and the migration crisis) and four hidden ones (demographic time bomb, the EU's continuing expansion and its controversial neighbourhood policy, reversals in Eastern Europe's transformation, and the negative attributes of contemporary capitalism: speculative crises, unemployment, and inequality).

However, it is worth noting that the very fact of exposed multiple crisis signs is not sufficient for a univocal conclusion that the EU is in a state of decay, especially taking into account that the crisis processes unfold parallel to the attempts to implement the course aimed at the completion of the EMU formation[2]. In fact, no matter how we treat the issue, we are facing a sophisticated and rather controversial process that defies depicturing in a single colour.

Moreover, in order to understand correctly the development 'logic' of this controversial process, our analytical endeavour is rather to limit its scope and go in-depth, trying to expose the origins of the crisis processes as *endogenous* phenomena laid down in the structure of the European integration, at least in the format that had been determined by the political and economic model of its development which dominated since mid-1980s[3]. Only this sort of approach can provide us the opportunity to avoid temptation to follow the currently popular political slogans and cast an unbiased look on the prospects of the process of European integration.

The origins of the crisis – 'underwater rocks' of the policies to complete the formation of the Economic and Monetary Union

The course aimed at a forced formation of the EMU within the European Economic Community, which was laid down in the 1990s, rested on the foundation

[2] The author (Sidenko, 2014) provided a detailed coverage of the main trends and instruments of this policy.

[3] The author analyzed these aspects in detail in his book (Sidenko, 2011).

of an innovated 'philosophic vision of integration' that marked a distinct departure from the neo-functionalist paradigm guiding the European political leaders during the initial stages of the integration process. The latter was characterized by expressed pragmatism and avoidance of complex and politically sensitive issues that could produce or exacerbate contradictions among member countries: the integration process progressed, under these conditions, via its *spill-over* onto new areas as long as the participants achieved *actual* success in the implementation of earlier integration objectives and the scope of integration proponents objectively expanded.

The new conditions of rapidly growing globalisation, with its dominating mode of thinking in terms of large economic spaces and ever-growing liberalisation of the production factor flows and business environment becoming ever more homogenised, more radical approaches to integration began to prevail. They were actually based on the traditions of European federalism, with its predisposition to formulate an ambitious agenda of politicised objectives. From the 1990s on, the construction of Europe has become not so a *pragmatic* and *sector-oriented* gradual evolutionary process economically driven *'from the bottom'* but rather an *accelerated* and *large-scale* process politically targeted *'from the top'* onto far-reaching institutionalisation of a single European space. The *new model* of European integration was shaped right in the wake of this political paradigm, and it was characterised by such features as the formation of a borderless single European market and a single European currency, significantly enhanced functions of common regulatory bodies and expressed tendencies towards introduction of elements of a *political union* (the formation of a new political superstructure over the EEC – the European Union, and the prospect to adopt a single European Constitution). It was also envisaged that this process of a cardinal *deepening* of the European integration was to go *parallel to* the process of substantial *enlargement of the scope* of integration – not only with regard to new areas of economic and political life within the European community but also outside it, involving East European countries in transition to market democracy.

A specific place within this approach was occupied by theoretical considerations in terms of the concept of *optimum currency areas* elaborated by the Nobel Prize winner, a Canadian[4] Robert Mundell, which really underpinned the idea of a forced, despite reservations made by many economists[5], transition from national currencies to a single European one – euro.

Nowadays, another Nobel Prize winner Joseph Stiglitz (2016) publishes his new research under the eloquent title '*How a Common Currency Threatens the Future*

[4] For experts with vast experience, it is a highly notable peculiarity of the development of theoretical foundations of European integration that many of their fundamental ideas were initially elaborated and published outside the EEC (later EU) area – in the Anglo-Saxon world. It testifies, inter alia, to the direct deduction of these ideas from dominating concepts of the neoliberal mainstream, generated primarily in the mentioned area. It is noteworthy that the Mundell's theory (1961) was formulated as early as in the beginning of 1960s, but was implemented into political practice, with an active participation of its author – a founding father of essentially anti-Keynesian supply-side economics, only in 1990s, when the neoliberal mainstream reached the peak of its dominance.

[5] It might seem to be a paradox but, nonetheless, the real fact: Milton Friedman, another patriarch of monetarism, was among the critics of this idea.

of Europe', but a different approach took the upper hand in the 1990s. It could not be otherwise at that time. The economy of the Western world was then in that phase of development when the large-scale information and communication innovative technologies in different areas, including the financial sector, supported high rates of economic dynamics, and crises, as it seemed to many, were left behind in economic history. Under these circumstances, the introduction of euro, as a practical implementation of the idea of an 'optimum currency area', served an additional potent enzyme for economic growth, as it significantly reduced transaction costs and eliminated foreign exchange risks by the substitution of multiple national currencies with a single European one. At that time, it was not evident that monetary integration, likewise economic integration in general, is not a separate *factor* of economic growth but merely an element of the *environment* of such growth, and that this element might easily transform from an *accelerator* into an *inhibitor* of economic dynamics[6].

It is worth emphasizing that further elaboration of Mundell's ideas lead to a distinct formulation of those conditions under which an 'optimal currency area' might successfully operate. They included not only the presence of uninhibited mobility of labour and capital, flexibility of prices and wages across the entire space of the zone, but also the presence of a system of fiscal transfers to cope with effects of factor mobility and neutralise the negative impacts for less developed regions of the zone, as well as close connection between economic cycles of member countries (Frankel & Rose, 1997). It is beyond doubt, that the actual implementation of these approaches in the framework of the Eurozone, where common monetary policy was not supported by corresponding instruments of fiscal redistribution, essentially deviated from these conditions. In the monetary union of the countries whose economies *significantly differ by structural and institutional parameters*, it was not possible to maintain the key monetarist condition – strict correspondence between money supply and economic growth potential[7].

Against this background, another grave problem seemed to appear (at least, the author of this article holds this view) – the *asymmetry of the monetary and fiscal regulation*. Apart of the authorship of the 'optimal currency area' idea, R. Mundell (1962) elaborated another important idea – the so-called *assignment rule* that has become an important principle of macroeconomic regulation[8]. Its core principle postulates that in countries where employment and balance-of-payments policies are restricted to monetary and fiscal instruments, monetary policy (the level of interest rate) should be reserved for attaining the desired level of the balance of payments and fiscal policy for preserving internal stability. The opposite system would lead to a progressively worsening unemployment and balance-of-payments situation, as it would violate the principle of effective market classification. This theoretical framework is based, inter alia, on the well-known principle developed by *Jan Tinbergen*, according to which the number of economic policy instruments is

[6] It would be desirable that the most radical European integrators in Ukraine also understand this thesis.

[7] The presence of a uniform interest rate for all Eurozone members produced asymmetric impulses in those countries whose inflation and growth rates deviate from the averages (Scharpf, 2011, p. 12, 19–20).

[8] J. Marcus Fleming made a vital contribution into the development of this concept.

not to be less than the number of independent targets to be attained by these instruments. Thus, in order to attain a desired level of macroeconomic balance in combination of its internal and external aspects, a national government (in a broad sense) must use a certain *mix* of monetary and fiscal instruments.

The introduction of euro, accompanied by the transfer of monetary regulation functions into exclusive competence of the European Central Bank and the European System of Central Banks governed by it, resulted in the withdrawal of regulative monetary instruments from national jurisdiction and actual *disintegration of the system of macroeconomic regulation*, with monetary instruments concentrated on the community level and fiscal ones reserved almost entirely for national authorities. This *functional disruption* could exist only in the absence of serious external macroeconomic shocks, which actually happened in 2008.

The introduction of a single currency deprived national authorities of important regulative instruments targeted at sustainable external balance of economic transactions, and therefore, at securing necessary linkage between exports and imports. This resulted in the emergence of the problem of sizeable current account deficits across structurally weaker economies, which turned to be destabilizers of public finance[9].

Clearly, a national government that has no longer actual access to monetary regulative instruments but confronts significant internal and at the same time external disequilibrium (the global crisis brought about exactly this sort of disequilibrium) has no other option than to resort to an *exaggerated use of fiscal tools*, primarily through a considerable rise of budget expenses, which inevitably led to instability of public finance. On the other hand, measures aimed at sharp reduction of state budget expenses (following IMF demands) failed in some countries with structurally imbalanced economies (we shall analyze in detail this aspect of the problem later), as collapsed demand used to launch the mechanism of economic contraction that narrowed the tax base and frustrated attempts to cut budget deficit. To sum up, the very fact of being a member of the Eurozone, meant for above mentioned structurally vulnerable economies (first of all for Greece) that they had to accept such prescriptions to cure their malaise which John K. Galbraith (2016) was absolutely right to designate as 'the poisoned chalice' – the stuff ruining the national economic body.

Moreover, the mentioned dysfunction of the macroeconomic regulation system, which was born by the asymmetric formation of the European monetary union, produced far-reaching overall social and economic effects and put on the agenda the issue of a legitimacy crisis within the EU[10].

[9] Some analysts regard this problem as the root cause of the crisis of public finance and the Eurozone crisis. – See, for instance, Scharpf (2016, p. 8).

[10] Fritz Scharpf, a well-known German researcher from the Max Planck Institute for the Study of Societies in Cologne, warned in this regard (2011, p. 2) that the European monetary union "has removed crucial instruments of macroeconomic management from the control of democratically accountable governments. Worse yet, it has been the systemic cause of destabilizing macroeconomic imbalances that member states found difficult or impossible to counteract with their remaining policy instruments… Its effects have undermined the economic and fiscal viability of some EMU member states, and they have frustrated political demands and expectations to an extent that may yet transform the economic crisis into a crisis of democratic legitimacy".

It is clear enough that the above-mentioned defect in the system of macroeconomic regulation within the Eurozone was properly identified under the conditions of the proliferating global crisis, further spilling over to the Eurozone. The prescription to cure it envisaged a forced completion of the EMU formation, which was understood as a ternary process of creating a banking union, a fiscal union, and an introduction of an integrated European system for macroeconomic regulation – the so called *European Semester*. It provided for an elimination of the mentioned monetary-fiscal dualism at the expense of significantly enhanced integration of the fiscal systems of member states.

In terms of formal logic, this option seemed quite appropriate, because alternative solutions of the problem might mean a certain retreat in the evolution of the European integration. However, the implementation of this course was actually equivalent to a significant strengthening of the role of the EU common agencies and, correspondingly, to a decreased level of autonomy for national bodies engaged in macroeconomic regulation. In reality, we faced a renewed attempt to federalize the European Union, or to be more specific, its Eurozone core, because the 'supranationalisation' of important functions of the economic policy mechanism would mean nothing else than an advance towards a *political union*.

The mentioned prospect was to a significant extent predetermined by the EU's decision on the unprecedented enlargement of the Union. Very indicative in this respect is the statement made by *Jacques Delors*, former European Commission President and chief architect of the huge European integration endeavour that led to the conclusion of the Maastricht and Amsterdam Treaties as well as the creation of the present governing structures of the European Union. He estimated the chances of the effective collapse of the EU after the enlargement of 2004 as high as 50%. *Eve*n then, he warned that the European Union must find a realistic way of working with 27-plus members, or else "the three big countries – perhaps tomorrow, four or five – will remove their cards from the table and choose to play alone. And that will be the end of the dream of the fathers of Europe."Such an end of the European Union, according to J. Delors, is by no means a remote possibility. And "the only way out of the danger…is to allow smaller groups of countries to forge ahead with deeper integration and their own forms of co-operation, if they so desire" (The Economist, 2004).

To neutralize the risks of the EU's unprecedented territorial enlargement objectively required, according to Delors and his supporters, adequate strengthening of 'European discipline' and enhanced role of European regulatory norms. However, the 2005 failure of the draft European Constitutional Treaty, which envisaged, inter alia, introduction of direct European laws, on the contrary, limited the sphere of direct community (supranational) competencies but expanded the area of coordinated decisions. These developments gave rationale for J. Delors to conclude on the existence of an '*institutional disintegration*' (*une désagrégation institutionnelle*) within the EU. He also noted that the proposal to introduce a method of economic regulation providing for a decreased role of the European Commission, when the leaders of 17 countries would meet every month and resolve all the issues, is "equivalent to the UNO in its worst times" (Rousselin, 2010).

However, on the other side, any attempts to arrange a stronger political superstructure are an extremely problematic choice because of a number of reasons. This

course de-facto allows alleviation of some problems, but at the same time gives birth or exacerbates a number of other serious contradictions.

First, economic rationale (pragmatism) is not the single factor to shape behaviour in the European society. Crucial importance here acquire self-identification of its citizens, the mode in which they define their identity and whether they desire or not to concede (at least partially) their mainly national (but not infrequently also regional) identity in favour of the all-European identity. The failure of ratification of the EU Constitutional Treaty in 2004 that happened in France and the Netherlands provides a pronounced testimony in favour of this view. In addition, so does the recent significant strengthening of extreme right nationalistic parties and movements in the majority of EU countries[11]. To hope under these conditions to substantially strengthen the authority of supranational agencies would be equal to ignore the reality.

Second, the process leading to enhanced role of European institutions might have been much more effective if it had contributed to the solution of the problem of a 'deficit of democracy' notable in their functioning. Despite certain positive changes in the structure and procedures of decision-making in EU's key institutions, we do not notice here a cardinal breakthrough. For the majority of citizens in European countries, Brussels still appears the centre of European bureaucracy, which is not publicly elected but is entitled to adopt, in a very intricate procedural mode, decisions that are not understandable but have tremendous social and economic effects. Moreover, the majority instinctively guesses that further expansion of functions of the community bodies would lead to ever-greater centralisation of the real power functions and would cut them off the loci of their residence – despite the formally proclaimed principle of subsidiarity. In fact, what would be the weight of the principle of division of regulative functions and their concentration in the places where they may be served best, if all basic monetary and financial instruments were centralised?

Third, if we suppose that the completion of the EMU formation would not be associated with centralisation of regulative authority but would be based on an active role of national governments, they would, nonetheless, require a huge intensification of economic policy *coordination.* Within this process, to find a common denominator in a political equation with multiple parameters and variable values would be an affair requiring extreme spending of time and giving no guarantees of success due to many differences in positions of those countries that have pronounced divergences in their economic conditions and levels of development. One may only guess whether this process would finally appear as a sort

[11] Extreme right parties, which support a meaningful revision of the EU's institutional foundations, if not the exit from the EU, succeeded to hold leading positions in political ratings of early 2017 in France (the National Front (*Front national*) headed by Marine Le Pen), the Netherlands (Party for Freedom (*Partij voor de Vrijheid*), Geert Wilders), Italy (5 Stars Movement (*Movimento 5 Stelle*), Beppe Grillo), with a visible increase in popularity for the *Alternative für Deutschland.* In Poland and Hungary, the governments are set up by right nationalistic forces, which have not once got into direct conflict with EU's governing bodies. The top leadership of the Czech Republic since the times of Václav Havel has traditionally positioned itself against enhanced role of supranational bodies of the EU. As far as the anti-EU moods in Greece are concerned, we may refer that the term 'Grexit' is often used in today's media in close connection with the term 'Brexit'.

of *déjà vu* of the late Council for Economic Assistance (COMECON) of the former socialist block.

Fourth, the functional efficiency of any centres for coordination and harmonisation of positions is largely determined by the presence of a common, or at least close, understanding of the content of the corresponding processes and phenomena. It depends, inter alia, on the order in which we range the elements within the shaped national *value system*, and on the peculiarities of the *governance culture*. Taking into account all the significance of the process of Europeanisation and convergence of the 'cultural genome' of specific nations, the formation of the *unified European culture*, including its governance component, is still far from completion: to achieve this endpoint, one needs *successful* development during a *prolonged* period of time. That is why a vast field is left for a *conflict of different cultures of governance* within the EU's coordinating agencies and governing bodies, i.e in the European Commission, which is based on equal participation, and in the framework of hybrid inter-party formations in the European Parliament.

One can judge for oneself whether Britain's decision to exit from the EU looks incomprehensible on this background, especially taking into account that British economic model has distinct idiosyncrasies and is closer to the U.S. model than to any other one in the European continent[12].

Certain institutional inadequacy of the combination of the policies of deepening and enlargement is an important limitation for the policy targeted at completion of the EMU formation. These are two diverging processes in terms of their structure, and, clearly, it is would much easier to implement any organisational restructuring in a more limited space. This combination of diverging processes significantly intensifies *adaptation shocks* related to the lack of capacity to adapt to new organisational patterns. More heterogeneous quality characteristics of the participants (which inevitably happens during enlargement) raise the *risks of institutional failure* in the reforms: the system may easily lose control and collapse before it manages to transform itself into something new and more efficient. Today, we have all necessary grounds to conclude that the principle decision taken in the 1990s on the most ambitious in history EU enlargement (which has not been completed, as several countries are still in the status of candidate countries or expect this status in the near future) was the result of prevailing *political and ideological* considerations. It was not adequately grounded on the comprehension of the regular development patterns peculiar to integration processes. In fact, this decision considerably contributed to the complication of the EU functionning and its vulnerability to crisis manifestations.

Finally, one ought to pay attention to a feature that remains almost hidden from researchers: the objectively determined *non-linear character of integration development*. Similar to the processes unfolding within the global environment, regional integration may appear to evolve only in a *wave-like* regime, which is generally determined by waves of economic development. In this context, it is especially im-

[12] A detailed argumentation of this decision and a vision of the future model of Britain's positioning in the world as a global, not a regional, player, was presented by the British government in: HM Government (2017).

portant to track the correlation of the ups and downs in the development of integration and with the phases of long Kondratiev waves of technological innovation. An integration process essentially envisages substantial changes in economic structures and social institutions (if member states proceed to higher stages of integration), and therefore, it is to be focused on long-term development objectives which closely depend on technological change.

There are reasonable grounds to refute the widespread belief that a big economic space is always good for development. In reality, this concept, which was thoroughly justified during the domination of the third and fourth technological waves, is no longer persuasive when flexible production systems of the fifth and sixth waves are spreading. The proliferation of the 'fourth industrial revolution', with its trends towards individualization (personalization), casts doubt on the dichotomy of 'big vs. small': such an *alternative* virtually disappears, as both features may be present at the same time. Apart of it, the *relative significance of different forms through which an economic space is organized may also fluctuate cyclically*.

In general, theory proves that innovations emerge primarily in a *local* environment and only then spread in a broader space. At initial phases of a Kondratiev wave, the dimension of an economic space does not play a significant role. On the contrary, large economic spaces are associated, at these phases, with obsolescent technologies used in widespread (in contemporary conditions, frequently transnationalised) networks of production and sales[13], which are to be destroyed in the process of innovations, as the famous Schumpeterian principle of creative destruction reads.

In light of this logic, the destruction of existing global or macro-regional links due to the cardinal change in institutional and political conditions for regulation does *not necessarily* mean a rollback to the past, when closed national economies prevailed, though one cannot exclude the likelihood of such temporary events. In fact, the destruction of the old (though widespread) may, on the contrary, clear the space for the growth of the new. It is a different aspect whether this freed space will really be filled by the new or lead to the expansion of the archaic (which we can see in the experience of some 'reforming' countries). In this connection, *the presence of certain moves towards ruination and disintegration of those elements that have ceased to be relevant is no disaster but, on the contrary, a precondition for further development.*

A renewed growth of the significance of large economic spaces, as well as globalization and regional integration, will take place *in future* parallel to the consolidation of the new technological paradigm requiring big investment in its extensive spread. However, currently it is more likely that certain restructuring of these processes will happen in combination with a shift in their priorities, in conformity

[13] A fundamental postulate of the wide-known product life-cycle concept (*R. Vernon* and his followers) reads that a new product first gains the relevant national market, and later goes for export to external markets. Later on, when it becomes mature, to retain its market share it is necessary to export capital and transfer production abroad (to countries with cheaper production factors), and this makes the essence of contemporary transnationalised production chains existing in a broad global or macro-regional space.

with a revised comprehension of social, economic and natural challenges, as well as a search for new meanings and motivations for economic activities.

Now, this search objectively requires much more *flexibility* rather than *large space.* At present stage, there is no substantial need in unified economic spaces for this purpose. Moreover, the latter may appear *dysfunctional, as their maintenance would be associated with huge cost in terms of time and energy to provide coordination and unification but not to innovate.* Any diffusion of innovations, according to the principles of complexity (synergy), which are the most relevant in describing non-linear emergence processes, is essentially an explosive-like process characterized by a rapid growth and huge energy release, and in case of social and economic development it goes about social energy of creating new forms (morphogenesis).

Such sort of restructuring is to proceed *under control* and, as much as possible, rationally based *foresight*; otherwise, the world will not be able to avoid a catastrophe. That is why the question put forward by a Dutch researcher *Hans Vollaard* (2008) at the initial period of the global crisis in 2008 – "*Will the European Union survive until 2024?*" – does not look so fantastic now as it was earlier.

Possible scenarios of further evolution of the European integration

To estimate adequately viable prospects of the European integration, one needs, first of all, to abandon regarding it as an absolute (indisputable) value and an icon to pray or a mantra to repeat daily. Any integration as such is no more than a certain technology to solve crucial socio-economic and other problems and it exists *alongside* with alternative approaches. Moreover, it is impossible to comprehend the meaning of this instrument without understanding its reverse side – the process of disintegration, and failing to do so would transform the concept of integration into a pure piece of ideology.

However, it is necessary to emphasize that issues of disintegration were for a long time almost ignored by theoretical research, except the attempts to analyze some cases of political collapse that happened in different parts of the world.

One of the infrequent theoretical concepts of regional integration, which contained formulations as regards possible disintegrative trends, were the works of *Philippe Schmitter* (1970, 2004). He postulated that a regional integration community has the opportunity to make use of different strategies, which provide for an increase in the decisional autonomy or capacity of joint institutions (*build-up*), increase in the scope of issue areas subject to joint decisions and commitment (*spill-around*) and a combination of the two trends (*spillover*). One more strategy is a relative stabilization limiting the dynamics as regards the scope and level of interaction and maintaining the regional process within the so-called *zone of indifference.* However, certain reverse movements are also possible, i.e.:

- *Retrench* – increasing the level of joint deliberation, in response to development challenges, but withdrawing joint institutions from certain areas (though with a likely enhanced common approach in the areas retained for joint policy).
- *Muddle-about* – allowing wider discussions on the process of integration but without real commitment and allocating values.

- *Spill-back* – a retreat of the integration process on both dimensions (scope and the level of authority given to community institutions), with a possible return to the *status quo ante the initiation* of the integration.

Ph.Schmitter[14] emphasized that when the process of regional integration fails to find a response to a crisis it leads to disintegration. His '*politicization hypothesis*' emphasized the likely trend towards increased controversiality of joint decision-making in the periods when integration strategies are revised. These conditions may in turn cause an explicit reconsideration of common objectives and a shift in actors' loyalty toward the new regional centre. However, the movement 'downwards' and 'backwards' would mean not only a refusal from benefits originating from higher level of cooperation but also a loss of resources invested earlier in the creation of joint institutions. The more the integration process advances to higher stages, the more increases the tendency toward mutual determination of the processes within member countries, which inhibits the emergence of disintegrative trends. One should not also discard here various symbolic effects associated with a possible disintegration of the existing structures.

On the other side, problems for the development of integration may arise also in those cases when changes induced by it are excessively large, making some members of the integration community unable to adapt to them. This may provoke certain defensive attitudes toward the regional integration process.

Recently, we can witness a significant intensification of the researches on the issue, which try to fill the gap in this area in the context of the challenges that have emerged in the practice of the European integration.

A. Libman and *B. Heifets* (2011) studied possible disintegration scenarios at the theoretical level and identified its four models: 'conflict', 'stagnating', 'shock', and 'divergence' (Table 1). They stressed that these models usually are present not in their "pure form" but in their combination.

With regard to disintegrative trends inside the EU, one could denote several important theoretical approaches proposed by *Hans Vollaard* (2008, 2014) basing on theoretical underpinnings of *S. Bartolini* (2005)[15]. This author proves that a disintegration process is not to be regarded as integration in reverse. The European integration created a strong interdependence in trans-national border regions; therefore, disintegration is likely to result not in a return to full-scale national state regulation but rather in an intensified interaction of sub-national regions with Brussels at the expense of the national capitals. Political actors, which are aware of the high price of a full exit from integration, may reallocate their loyalties, expectations and political activities not backwards to national states but rather towards (trans-nationalized) regional authorities, thus shaping *multi-layered* and *multifaceted political constructions*[16].

[14] The author of this article provides a concise analysis of the key elements of the Ph. Schmitter's theory in Sidenko (2011, p. 370–375).

[15] S. Bartolini, among other important propositions, makes an accent on the dependence of integrative and disintegrative processes on the systemic relationship between external consolidation and internal structuring, their specific format of combination shaping actors' behavior in the aspect of their loyalty, voice and the right to exit from a political formation.

[16] Such sort of developments is currently visible in the official attitude of Scotland's leadership towards 'Brexit'.

Table 1

Classification of possible disintegration scenarios (a Libman–Heifets model)

Character/ Rate of the process	***High rate of disintegration***	***Low rate of disintegration***
Space integrated from the top	***'Conflict disintegration'*** May be made actual through different ways: Under coercive integration – through awakening of 'dormant institutions', when the hegemon concedes leadership in the structure and his ability to maintain control over the integration space; By change in preferences of political actors resulting from the attainments of the integration process and certain level of economic and political stability achieved by its member states (self-ruining integration); Via unpredictable force majeure factors, i.e. change of the economic and political model or the emergence of a new external economic strategy (a classic example here is the collapse of the Soviet Union, Yugoslavia, and the COMECON).	***'Stagnating disintegration'*** Is a prolonged period of fragmentation of the earlier integrated space, a gradual intensification of contradictions and transition to the state of 'pseudo-integration', and later – full collapse or, otherwise, retained certain 'soft' forums and associations (as it happened, for instance, within the CIS or EFTA). This model may emerge in case of experimenting made by participants in search of different integration scenarios, if there is no reliable information on viable benefits and deficiencies of each option. However, it may originate from attempts to *unite, within the framework of an integration project, too many countries differing essentially by various parameters of their development*. There are two alternative models of the 'stagnating disintegration': The model of '*full fragmentation of economic space*'; The model of '*integration core and periphery*' (contemporary Eurasian integration structures are a good example of the latter).
Space integrated from the bottom	***'Shock disintegration'*** Evolves as a result of a rapid fragmentation of the economic space under extraordinary events, i.e. natural disasters, cardinal legislative changes, social disorder, hyperinflation and others, which cause a disruption of economic ties between economic agents.	***'Divergence disintegration'*** Is fueled by the disruption and reorientation of economic ties, often finalizing the work of the conflict disintegration. Only in exceptional cases it leads to unconditional fragmentation of the existing economic space; the prevailing process here is *shaping new integration spaces* accompanied by structural shifts in mutual relations. In other words, it is a '*creative destruction'* made by entrepreneurs striving to define an optimal organizational framework for their activities.

Source: a summary of the article by Libman & Heifets (2011).

H.Vollaard postulated four key propositions that define the EU's prospects:

- The EU's external consolidation has remained weak (one can see it primarily in permeability and incongruence of its external boundaries), and this feature facilitates exit from the Union.
- European integration is a continuous source of dissatisfaction because of the unequal actor's abilities (depending on age, education, material status, languages, traditional family predisposition and social links) to make use of the advantages of mobility. This feature leads to the emergence of differing effects of the single monetary policy not only for different states but also for different regions, thus creating internal disruptions and dissatisfaction across regions, citizens and companies, i.e. as regards the distribution of competence within the EU.
- Weak external consolidation restrains political structuring within the EU. The ongoing enlargement of the Union accompanied by permanent reorganisation and sophistication of community governance, and continuous debates over the EU's democratic deficit decrease the confidence that each voice can be heard. This factor shifts the balance of choice in favour of exit from the system instead of voicing for reforms.
- Without full exit options (because of uncertainties and risks associated with it and perception of significant losses to be caused by such exit from the EU), Eurosceptic dissatisfaction induces partial exits within the EU and voices for the exit of others. Actors' predisposition to full exit grows as disappointment in European integration intensifies, possibilities to voice dissatisfaction at the European level become more limited, loyalty to common European institutions decreases, potential costs to leave are perceived lower, and external alternatives to receive benefits from integration schemes outside the EU appear more viable.

Proceeding from this premise, the mentioned author states that only United Kingdom is likely to leave the EU. At the same time, other Eurosceptic member states would be more inclined either to partial exits (*opt-outs*), in order to limit the cost of participation in the European integration, or – in case of the countries with less efficient national governance systems – to lesser compliance with EU rules and personal emigration to other EU countries. If so, there the EU is likely to become *a truncated union,* where the EU will have the time and the resources to strengthen boundary congruence, for example, by establishing a fiscal union, decreasing boundary permeability by blocking further enlargement, reinforcing its compliance capacity, enhancing European loyalty and allowing for a larger voice of the anti-system Eurosceptic opposition (Vollaard, 2014, p.14).

Philippe Schmitter and *Zoe Lefkofridi* (2016) further developed the afore described theoretical principles of neo-functionalism backed by empirical evidence that provide grounds to predict an increasing likelihood of EU disintegration. In particular, the risk of disintegration is rooted in the trade structure of a number of member countries (Greece, Malta and the UK) engaged more in external than in internal trade, with three key EU economies of Germany, France and Italy focusing their trade relationships with countries outside the Euro area (China; developing/

emerging markets) more than within it, while the introduction of euro influenced positively mutual trade flows mainly in the periphery of the EU. Compared to the USA and Japan, they identified a low capacity of the EU to solve the problems of unemployment, thus questioning the attainment of an important precondition for stability of the integration process – an equal distribution of benefits from integration and convergence among member states in key indicators of economic performance and social protection. Largely, it has become an outcome of the technocratic neoliberal approaches prevailing inside the EU and advocating for fiscal balancing of the economy and budgetary austerity as assumptions for further economic expansion based on investments. However, this course actually exacerbated existing macroeconomic problems in a number of EU and Eurozone member states, especially in Greece, as this country suffered, within a four year period, a 25 percent fall in GDP and the unemployment rate rising to 25 %, with youth unemployment approaching 50% (Schmitter & Lefkofridi, 2016, p. 21).

Douglas Webber (2011) proves that the EU does not rest on a robust foundation for integration, which may well turn to be less resistant to reversal factors than widespread theories of European integration predict. Of crucial importance, here are the following two factors. First, the upsurge of national-populist politics produces a growing and increasingly acute tension between the requirements or logic of domestic politics and those of the EU. In addition, the post-Cold War and post-Maastricht periods have brought about a qualitative change in the context of EU decision-making, shifting it from permissive *consensus* towards an '*unpermissive dissensus*'[17]. Under these conditions, the growing transnational exchanges failed to bring about a corresponding growth in political identity: no more than 10 to 15 per cent of the EU population appear as genuine Europeans – those who have 'deep economic and social ties with their counterparts across Europe' and benefit from Europe 'materially and culturally'. Under such circumstances, any public support to the EU and the process of integration is contingent upon the evolution of the economic conjuncture and other short-term variables (Webber, 2011, p. 11–12). Second, one may not exclude a certain evolution of the role played by Germany, currently a semi-hegemonic power in the EU that has positioned itself as the EU's regional paymaster and an advocate of the creation of a quasi-federal European state. However, from the late 1990s, Germany's traditionally strongly 'pro-European' stance has grown weaker and more ambivalent (Webber, 2011, p. 14–16)[18]. With this in mind, the most likely scenario of disintegration under such conditions may be a kind of '*Britishization'* of Berlin's European policy, as Germany might hold a much more confrontational stance towards the EU and would strive to restrict the creation and autonomy of supranational organs in favour of more intergovernmental decision-making as well as promoting differentiated forms of integration (Europe *à la carte*). As D. Webber

[17] An essentially analogous term '*constraining dissensus*' was introduced within a novel analytical trend of research on integration and disintegration processes named 'post-functionalism', which provides explanation of the reasons of falling public support of the EU. – See Hooghe & Marks (2009).

[18] As Weber asserts, the federal states (*Bundesländer*) have become more resistant to the transfer of further policy-making competences to Brussels, and Germany's growth of export flows is more dependent on Asian economies than those of the EU member states.

concludes, the latter would culminate in the emergence of a reconfigured, less monolithic and less cohesive EU.

Henrik Scheller and *Annegret Eppler* (2014), proceeding from the understanding of integration and disintegration processes as *multidimensional*, emphasise the necessity of taking into account not merely their institutional and political but also economic and socio-cultural aspects. Such sort of multi-factor approach makes it possible that integrative and disintegrative trends exist *simultaneously* when we look at their different dimensions – institutional, territorial, economic, and socio-cultural ones. Integration in one dimension may be coupled with disintegration in another one – and developments in one dimension might cause effects in another dimension (Scheller & Eppler, 2014, p. 26). Basing on these principles, they argue that since the outbreak of the financial and economic crisis in 2008/2009 a process of disintegration has been unfolding within the EU, primarily in its economic and legitimacy aspects. It was caused by significant losses incurred by the austerity prescriptions imposed upon the EU's problematic southern member states, which caused negative economic effects and social disintegration ('erosion of the social fabric' of some nations). In its economic aspect, disintegration has a functional character, as the EU's internal market essentially commenced to break up into regional submarkets through a market-driven isolation[19] of individual member states; an actual asymmetry emerged between the multi-level political system and the markets (available political instruments and resources are not adequate for a re-regulation of the markets to fence them off system hazards); and pronounced imbalances in the economic performance and competitiveness of the member states appeared (Scheller & Eppler, 2014, p. 29, 31).

Jan Zielonka (2012) provided an analysis of the EU crisis in a broad historic context and based it on the thesis that legitimacy rests primarily on the efficiency of institutions rather than on democracy or cultural (national) identity. He outlined three possible scenarios of disintegration:

- *Abrupt disintegration* caused by some kind of external shock that generates anarchy beyond any political control (i.e. the collapse of the euro);
- *Jump into federation* meaning the generation of a new sense of common purpose necessary for new initiatives to shape a more profound political, economic, and fiscal unions;
- *New medievalism* – the most likely and favourable scenario that assumes acceleration of a differentiated integration in concentric circles. Under it, integration will intensify in some fields, but it will remain weak in others. The EU will get closer to the medieval paradigm that provides for *overlapping authority*, multiple loyalties[20], fuzzy borders, and a duality of competing *universal claims*.

[19] The growing perception of the Eurozone member states as autonomous national economic spaces are proved, inter alia, by such phenomena as drifting apart of their credit ratings and interest rates existing against the background of the deepening macroeconomic disruptions within the Eurozone in general.

[20] J.Zielonka (2012, p. 56) argues that to some extent this is already an actual development within the EU, as, for instance, "Catalonia falls under the jurisdiction of Madrid, Barcelona, Frankfurt, or Brussels, depending on the issue. It is even trickier to determine the cultural and political loyalty of Catalonians".

The likelihood of the first scenario, as J.Ziolonka puts it, is reduced because of the devastating socio-economic and security outcomes (thriving nationalism, territorial claims, and financial recriminations, etc.). The second scenario confronts a barrier, as participants "would be at pains trying to identify a set of common interest" that might hold together members of the federation: such condition is possible only in relation to "a few likeminded and like-looking European states". However, such "a core Europe would create a new dividing line across the continent, raising fear and suspicion" instead of stabilising effect on relations, and it may be "a source of serious international dispute" (Zielonka, 2012, p. 55).

The quoted author asserts (p. 57) that none of these scenarios promises a bright future for the EU. The 'new medievalism' scenario is likely to generate less negative implications, but it envisages more diversity and flexibility in the governance system, with integration efforts contained to only a few selected fields (trade, competition, and energy policy) and soft, rather than hard, laws used as instruments of regulation (incentives rather than sanctions). Deliberative problem solving, mutual learning, not necessarily convergence and homogenization, are to become the purpose of relevant policies under such scenario.

Ivan Krastev (2012), a leading Bulgarian researcher and a founding board member of the European Council on Foreign Relations, asserts the reality and clear-cut perspective of the EU disintegration. He puts an accent on the fact that for the first time since the European project was set in motion after 1945, the objectives of "ever closer union" and "deeper democracy" are at odds. "At present, a political union capable of backing the euro with a common fiscal policy cannot be achieved as long as EU member states remain fully democratic, for their citizens will not support it… Facing the choice of restricting democracy in order to save the euro or permitting the collapse of the euro with an uncertain prospect for democratic renewal, Europeans are once again forced to choose between the lesser of two evils". This researcher holds the view that under such circumstances the major risk to the EU comes from revolt at the center, consisting of countries with more established democratic traditions, but less from destabilization on the periphery. When the former (who are "winners" of integration) "start to view themselves as its major victims, one can be sure that big trouble is at hand" (Krastev, 2012, p. 25, 29).

A collapse of the eurozone may serve as key mechanism of European disintegration. According to Joseph Stiglitz (2016), a Nobel Prize winner, the eurozone was "flawed at birth" (2016, p. 5, 7), and its defects are enshrined in its structure – its rules, regulations, and institutions that by their character do not fit the diversity of conditions found in the member states. These flaws are rooted in economic integration clearly outpacing political integration in a group of countries that have diverging economic conditions. At the same time, the euro mechanism promotes divergence rather than convergence across participating countries and thus leads to a deepening divide among them. That is why a way out of this predicament is that there either has to be "more Europe" or "less" (p. 11). In this context, he outlined three possible routes to solve the crisis: 1) fundamental reforms in the eurozone structure and policies imposed upon its member states; 2) an amicable divorce – a well-managed exit from the experiment with the euro as a single currency;

3) a bold creation of a new system to sustain the functions of a "flexible euro" (rather that a single currency for the entire Eurozone there would be several groupings, each with their own electronic currency – p. 298).

Currently, it is difficult to say which of the afore-mentioned scenarios is to turn into reality. In fact, all of these possible scenarios confront with the firm decisiveness of the EU leadership to follow the course of deepening integration in the period up to 2025. The well-known "*Five Presidents' Report, 2015*" responded to the existing challenges of the EU by projecting the way of shaping up four unions – a genuine *Economic Union*, a *Financial Union* (including completing the Banking Union and accelerating the Capital Markets Union), a *Fiscal Union*, and a *Political Union.* Naturally, the European Union leaders are fully aware of the necessity of structural convergence, which would mean overcoming the structural and cyclic divergences across the eurozone member states. The main avenue towards solving the existing problems is seen in political measures of intensified fiscal austerity and fostering higher competitiveness, strengthened common procedures to prevent macroeconomic imbalances, and enhanced economic policy coordination.

However, after the referendum in the UK on Brexit, this official course does not look so unambiguous as earlier. The EU leaders launched a process of serious *political deliberation on the future of the European Union* on the basis of the Bratislava Declaration and its Roadmap (European Council and the Council of the European Union, 2016). Even taking into account the common appeal of the four leaders of parliaments representing the founding members of the European Communities (Bartolone et al., 2017), in which they advocated for a creation of a European federation, this sort of radicalism in the founding members' 'core' does not have a chance to receive unanimous support (in particular, we may refer to reservations made with regard to this idea by Angela Merkel, Germany's Chancellor, and Poland supported her in this attitude (ZN.UA, 2016). Even the European Commission (2017) now holds a more flexible stance in this regard in its "White Paper on the Future of Europe: Reflections and scenarios for the EU27 by 2025" of March 1, 2017. It identifies five possible scenarios for the European Union (Table 2).

As one can see from the content of the White Paper, the European Commission tends to the fifth scenario ("Doing much more together"); but under certain conditions it might agree on the forth one ("Doing less more efficiently"). Evidently, it regards the first scenario ("Carrying on") as functionally unpromising, while scenarios 2 and 3 (respectively, "Nothing but the single market" and "Those who want more do more") it regards as less desirable. However, none of these scenarios envisages the possibility of significant disintegration.

In this context, it is worth noting that we cannot regard the list of scenarios presented by the European Commission as comprehensive, as it does not include the above-mentioned prospects of potential disintegration. It might seem that the European Commission does not pay much attention to the integration-inhibiting factors revealed by the independent academic community, i.e. to the existence of objectively set limits for integration (Franzius, Mayer and Neyer, 2014), the need to account for diversity that invalidates the Eurocrats' dreams (Chalmers, Jachtenfuchs and Joerges, 2016) or for a differentiated regime of regulation within the EU (Ott, De Witte and Vos, 2017).

Table 2

The five scenarios of possible EU development up to 2025 (Presented by the European Commission in March 2017)

	Carrying on	**Nothing but the single market**	**Those who want more do more**	**Doing less more efficiently**	**Doing much more together**
Single market & trade	Single market is strengthened, including in the energy and digital sectors; the EU27 pursues progressive trade agreements	Single market for goods and capital strengthened; standards continue to differ; free movement of people and services not fully guaranteed	As in "Carrying on", single market is strengthened and the EU27 pursues progressive trade agreements	Common standards set to a minimum but enforcement is strengthened in areas regulated at EU level; trade exclusively dealt with at EU level	Single market strengthened through harmonisation of standards and stronger enforcement; trade exclusively dealt with at EU level
Economic & Monetary Union	Incremental progress on improving the functioning of the euro area	Cooperation in the euro area is limited	As in "Carrying on" except for a group of countries who deepen cooperation in areas such as taxation and social standards	Several steps are taken to consolidate the euro area and ensure its stability; the EU27 does less in some parts of employment and social policy	Economic, financial and fiscal Union is achieved as envisioned in the report of the Five Presidents of June 2015
Schengen, migration & security	Management of external borders stepped up gradually; progress towards a common asylum system; improved coordination on security matters	No single migration or asylum policy; further coordination on security dealt with bilaterally; internal border controls are more systematic	As in "Carrying on" except for a group of countries who deepen cooperation on security and justice matters	Cooperation on border management, asylum policies and counter-terrorism matters are systematic	As in "Doing less more efficiently", cooperation on border management, asylum policies and counter-terrorism matters are systematic

End of the table 2

	Carrying on	Nothing but the single market	Those who want more do more	Doing less more efficiently	Doing much more together
Foreign policy & defence	Progress is made on speaking with one voice on foreign affairs; closer defence cooperation	Some foreign policy issues are increasingly dealt with bilaterally; defence cooperation remains as it is today	As in "Carrying on" except for a group of countries who deepen cooperation on defence, focusing on military coordination and joint equipment	The EU speaks with one voice on all foreign policy issues; a European Defence Union is created	As in "Doing less more efficiently", the EU speaks with one voice on all foreign policy issues; a European Defence Union is created
EU budget	Partly modernised to reflect the reform agenda agreed at 27	Refocused to finance essential functions needed for the single market	As in "Carrying on"; additional budgets are made available by some Member States for the areas where they decide to do more	Significantly redesigned to fit the new priorities agreed at the level of the EU27	Significantly modernised and increased, backed up by own resources; a euro area fiscal stabilisation function is operational
Capacity to deliver	Positive agenda for action yields concrete results; decision-making remains complex to grasp; capacity to deliver does not always match expectations	Decision-making may be easier to understand but capacity to act collectively is limited; issues of common concern often need to be solved bilaterally	As in "Carrying on", a positive agenda for action at 27 yields results; some groups achieve more together in certain domains; decision-making becomes more complex	Initial agreement on tasks to prioritise or give up is challenging; once in place, decision-making may be easier to understand; the EU acts quicker and more decisively where it has a greater role	Decision-making is faster and enforcement is stronger across the board; questions of accountability arise for some who feel that the EU has taken too much power away from the Member States

Source: European Commission (2017, p. 29).

Fritz Scharpf's (2016) views are very indicative in this regard. Proceeding from the presence of the phenomenon of *monetary over-integration* of the structurally divergent 'Northern' and the 'Southern' political economies, he opposes the officially proclaimed scenario of the structural convergence of the Eurozone member states with his *scenario of a differentiated European Monetary Community* based on the introduction of a flexible two-level currency regime. In fact, this scenario provides for a creation of two different areas of interaction – for 'Northern economies' (or, in other words, 'German Europe') and for 'Southern economies' (or 'Latin Europe'). Countries of the former group (Germany, Austria, the Netherlands, Belgium, Finland, and Ireland) have a large export sector and institutional capacity for wage coordination. Conversely, the latter group (Greece, Spain, Portugal, Italy, and France) are characterised by a relatively larger domestic sector and an enhanced propensity to generate wage-push inflation.

Thus, the mentioned author proposes to disintegrate the now actual euro regime, which is "fundamentally asymmetric" and "fits the structural preconditions and economic interests of Northern economies" but "conflicts with the structural conditions of Southern political economies – which it condemns to long periods of economic decline, stagnation, or low growth" (p. 18). Therefore, he suggests introducing a *two-level European Monetary Community* that would combine the Eurozone (a structurally more coherent Monetary Union) and countries currently participating in the existing exchange rate mechanism (*ERM II*) – for which enforced structural transformation appears unrealistic or that have strong political preferences for a greater degree of autonomy (p.46–47).

F.Scarpf emphasises not only the unavoidable cost of disintegration but also the cost of evaded disintegration when the latter appears urgent. Provided the scenario outlined by him is set in motion, we are sure to have a *scenario of a managed disintegration.*

Conclusions

To sum up, the evolution and deepening of the European integration have produced a critical growth of contradictions inside the EU. Its first great political consequence is the United Kingdom's decision to exit from the European Union (which had been unthinkable until recently), a rapid growth of negative attitudes towards European institutions across various public strata in the Union's member states, and grave complications in the implementation of far-reaching projects of further European integration.

Currently, The European Union has found itself at crossroads, or in the complexity theory (synergetics) terms, in a state of bifurcation. It is well known that such condition may lead either to consecutive rapid development – by jumping into a new quality (perhaps, towards some sort of a *European federation* or a similar polity), or on the contrary, to an abrupt disintegration and a formation instead of two or even more *subregional integration spaces* following the model of *differentiated* integration. According to it, the now EU-28 (somewhat later EU-27) may evolve towards formation of a common superstructure over these subregional integration spaces, in full conformity with the model of "*embedded integration spaces*"[21].

[21] For the concept of this notion, see Sidenko (2011, p. 95).

It appears unlikely that the currently observable *unfinished* integration process, with its *asymmetric* development in different areas and explicit *disruption between economic (the single market) and political (national state sovereignties) mechanisms* may endure for a long time. Whatever promising plans the European officials in Brussels might draft, the *reality* of 2010-16 has proved the impracticability of these radical integration endeavours.

Evidently, very soon we will be able to witness a search for a compromise between the stances of various participants of the European integration and a corresponding reformation of the European Union – which is to pose Ukraine in front of complex dilemmas of its development strategy. This issue will require a comprehensive analysis of *all possible options* arising within further evolution of the European integration and, simultaneously, an exposure of *all viable formats of Ukraine's participation* in this process. However, the latter objective is beyond the tasks set for this article and is to make an important item for an agenda of further academic research in Ukraine.

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