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# **The Cost of non-Europe**

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Policy Brief 18/2023

**LUISS**



December 13, 2023

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In June 2024, millions of citizens will participate in shaping the future of European democracy and its political priorities for the period 2024-2029. Results from Eurobarometer<sup>1</sup> show that interest in European elections, or the likelihood to vote in the latter, are positive and higher than in autumn 2018 before the previous European elections of 2019.

The 2024 European elections represent an opportunity to define the path of ambitious common European action to weather the challenges ahead.

Are Europeans aware of their historical role in these elections? Will citizens, given the option, choose the path of a stronger Europe that can better tackle the challenges of today and tomorrow?

Since the very beginning, European integration has advanced democratic governance, environmental protection, innovation and economic growth. During the current 9th parliamentary legislature, the EU has overcome many challenges, ranging from being the first continent to define the goal of climate neutrality by 2050 to mitigating the impact of the COVID-19 pandemic and taking unprecedented action in support of Ukraine following Russia's war of aggression. Still, Europe can offer more to ensure an effective response to the challenges that transcend borders and are threatening the well-being of citizens.

In the context of increased multipolarity, the benefits of EU action can be greatest and more sustainable with a holistic approach rather than uncoordinated, fragmented or isolated actions across the Member States. In line with the principle of 'subsidiarity', the EU and its Member States have to identify the best level of decision-making to overcome the challenges they are facing, considering both the current state of EU integration and how it has developed in recent decades. In practice, the key question is if and to what extent the aggregation and coordination of budgets, oversight and competences at EU level generate added value and higher benefits, compared to the action considered by Member States at national level.

According to a study recently published by the European Parliament, the potential benefits of ambitious action at EU level could reach up to €2.8 trillion overall. The study, named *"Increasing European added value in an age of global challenges: Mapping the cost of non-*

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<sup>1</sup> European Parliament, [EP Autumn 2023 Survey: Six months before the 2024 European Elections](#), December 2023

*Europe (2022-2032)*<sup>2</sup> and which was drawn up by the European Added Value Unit of the European Parliamentary Research Service, investigates the potential benefits of common EU action in 10 different policy areas, taking into account the state of EU legislation and its untapped potential.

The study finds that ambitious common EU action has the potential to improve the daily lives of citizens by fostering economic growth, stepping up efforts of the green transformation, empowering SMEs to go digital and reducing inequalities in access to healthcare. The realisation of these benefits, which could be achieved in 10 years, depends on the pace at which EU action is adopted and implemented (Figure 1)

Figure 1: Following the path of strategic, collective action could offer the EU potential added value of €2.8 trillion by 2032

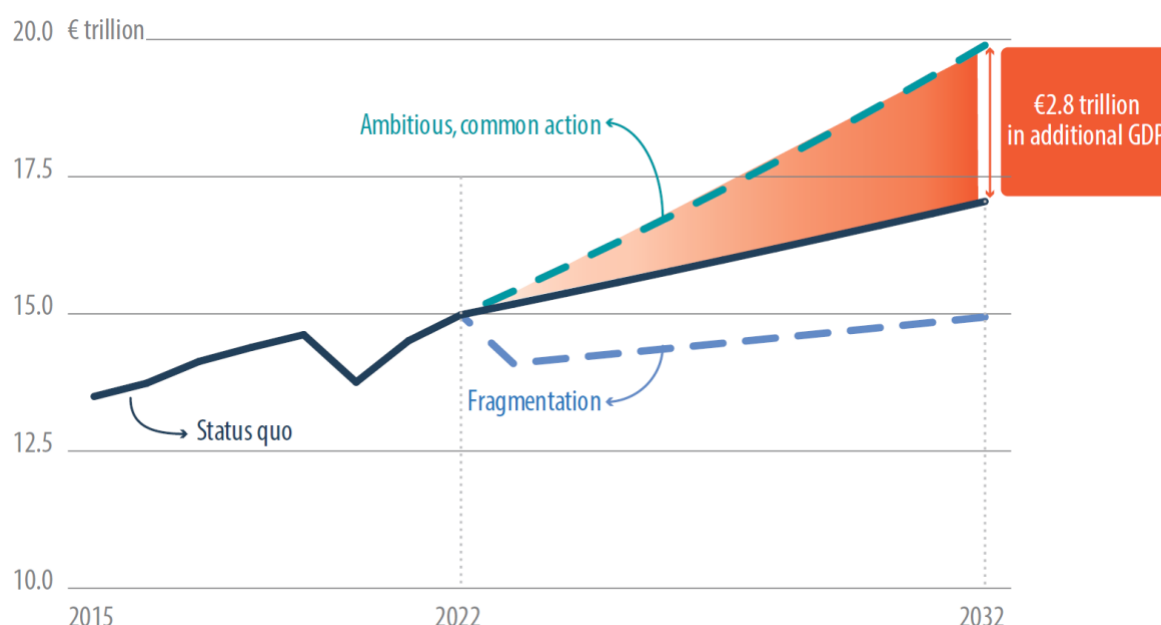


Figure 1 shows the impact in terms of potential added value (in euro) by showing where different levels of ambition and the respective GDP could go.

The baseline has been calculated by EPRS on the basis of scenarios and long-term projections made by the European Commission<sup>3</sup> and the OECD.<sup>4</sup> It reflects past (from 2015 to 2021) and projected real GDP in euro in purchasing power parity until 2032, with 2022 as the base year.

The baseline projection assumes a simple continuation, until 2032, of policy actions that have already been initiated without substantial additional EU action ('no policy change' scenario).

<sup>2</sup> L. Panella et al, [Increasing European added value in an age of global challenges: Mapping the cost of non-Europe \(2022-2032\)](#), EPRS, 2023

<sup>3</sup> European Commission, [The 2021 Ageing Report: Economic & Budgetary Projections for the EU Member States \(2019-2070\)](#), Institutional Paper 148, May 2021.

<sup>4</sup> OECD, [The long game: Fiscal outlooks to 2060 underline need for structural reform](#), October 2021.

Under this scenario, real GDP would grow from a value of about €15 trillion in 2022 to about €17 trillion in 2032, which would translate to an average annual real GDP growth rate of 1.3 % over the period.<sup>5</sup>

This 'cost of non-Europe' scenario shows the overall impact of policy action envisaged in the 50 sub-chapters of the report, with an implementation horizon of 10 years. Compared to the baseline, the analyses find that an additional €2.8 trillion could be generated, thus bringing total real GDP to a value of almost €20 trillion in 2032. This is a rather ambitious but reasonable<sup>6</sup> estimation, as it would mean an average annual real GDP growth rate of 2.9 % over the period.

The last scenario is reported for illustrative purposes to emphasise the cost of fragmentation, as analysed in some recent publications.<sup>7</sup> It assumes the occurrence of a new major economic crisis in 2023, of a proportion similar (we assume a shock of -5.6 % for real GDP for the EU as a whole) to the economic crises of 2020 and 2009. Then, the trend real GDP growth rate from 2024 is assumed to be halved compared to the baseline, as dislocation effects and negative spillovers impact the EU's potential growth rate. The result is a total net real GDP loss of €2 052 billion compared to the baseline, and of €4 899 billion compared to the 'cost of non-Europe' scenario. In this fragmentation scenario, the average annual real GDP growth rate would fall to 0.6 % over the period.

The “Cost of non-Europe” (CoNE), which can be understood as the cost of not setting an ambitious policy agenda at the EU level, includes not only economic costs, but also costs to society, European values and the environment. More coordinated and common European action in specific areas can reduce these costs and bring added value for society.

Key to the measurement of CoNE is the concept of European added value. It refers to the long-term net additional potential benefit of increased EU competences (EU coordinated joint action and cooperation, EU primary action, EU complementary executive capacity) versus a situation of status quo where the repartition of competences is kept unchanged and primary action occurs in a more fragmented way at other levels of administration, i.e. national, regional and local.

The CoNE concept is underpinned by a number of fundamental principles.

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<sup>5</sup> An average annual inflation rate of 2 % is assumed over the projection horizon, in line with the ECB mandate and EMU long-term objectives. We therefore assume a nominal average GDP growth rate of 3.3 % over the period in the baseline scenario.

<sup>6</sup> A real GDP average annual growth rate of 3 % and an average annual inflation rate of 2 %, i.e. a nominal GDP growth rate of 5 %, was the assumption that originally served as the basis for the setting of EMU objectives.

<sup>7</sup> G. Felbermayr, J. Gröschl and I. Heiland, [Undoing Europe in a New Quantitative Trade Model](#), IFO Working Paper, 2018; J. In 't Veld, [Quantifying the economic effects of the single market in a structural macromodel](#), Discussion Paper 94, European Economy, European Commission, 2019; T. Evas et al., [Coronavirus and the cost of non-Europe](#), EPRS, May 2020.

The principles of subsidiarity and proportionality regulate the exercise of competence of the Union. Specifically, the principle of subsidiarity is defined in Article 5(3) of the Treaty on European Union. It aims to ensure that the EU does not take action (except in the areas that fall within its exclusive jurisdiction), unless it is more effective than action taken at the national, regional or local level.

This means that an action can be carried out at Union level if an added value is provided and, hence can be better achieved at Union level 'by reason of the scale and effects of the proposed action'. It is closely linked to the principle of proportionality, which requires that any action taken by the EU not go beyond what is necessary to achieve the aims of the treaties. Member States, regional or local governance levels remain free to act and in some cases, action may be necessary at all levels for a given policy.

In fact, a more coordinated approach at EU level does not mean that in every policy area a common integration would better “per se”. The European Union is not built in such a way that the transfer of competences from national to EU level leads to a reduction in the benefits for its Member States. There are cases where actions at the national, regional and local levels would generate more benefits and respond more effectively to citizens’ needs. Given the geomorphology of the different Member States, is it advantageous to have the same anti-seismic regulations in construction? In the healthcare sector, would it be advantageous for some Member States to have binding EU initiatives on the treatment of diseases that are typical only in other areas?

The foundation of the cost of non-Europe analysis can be found in the cost-benefit analytical framework, in which the benefits of an intervention for society are weighed against the costs. If the benefits exceed the costs, then the intervention is considered worth pursuing from a cost-benefit point of view. However, in the case of the evaluation of EU added value, the analysis goes a step further, as it does not simply compare costs and benefits, but also considers the scenario of other levels of responsibility acting in that area, without beneficial EU coordination. This analysis is not, as sometimes assumed, a simple comparison between EU actions versus Member State actions.

EU action can also take a number of forms, from legislative to non-legislative, budgetary spending, investment and guarantees, assistance, supervision and enforcement action or involving citizens and communications. The absence of action at European level may mean that, in some areas, there is a loss that restricts the potential of the overall economy. In some cases, EU action could allow for:

- Provision of public goods, which would not have been available if competences and resources had been kept scattered at Member States, regional or local level (as in the case of defence or public health<sup>8</sup>).
- Realisation of efficiency gains. These can take three forms:

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<sup>8</sup> See also M. Bordignon et al, [Improving the quality of public spending in Europe. A study on the methodology to compute and identify budgetary waste in Member States](#), Study, EPRS, European Parliament, October 2020

- 1) Productive efficiency, also called economies of scale.
  - 2) Allocative efficiency, notably a benefit of resources allocated between alternative uses in a way that maximises welfare. For instance, European agricultural funding could be seen as contributing to the goal of efficient food production that maximises benefits for the EU.
  - 3) Dynamic efficiency, in the sense of the benefit of improving the initial level of efficiency: education and research are key elements of dynamic efficiency.
- Reduction of administrative costs and better savings.
  - Integration of the impact of externalities and spillovers.

The cost of non-Europe concept, together with the one of EU added value, has returned to the centre of the political debate and gained renewed relevance, but it has deep roots starting from the beginning of European integration. The added value of the European project needs to be seen in the post-World War II context.

The 1957 Rome Treaty (EEC) laid the foundation for European integration as a peace and economic project, aiming for 'an ever closer union among the European people'. This drive for economic integration gained further momentum with the successful establishment of the common customs area in 1968.

The concept of 'non-Europe' was originally pioneered by the European Parliament in a report<sup>9</sup> by Albert and Ball in 1983, a time of high inflation and economic insecurity, to spur European economic integration. The two economists suggested that the *'absence of a genuine common market (...) and all the other obstacles to trade are equivalent to a financial surcharge that could represent approximately one week's work per year on average for every family in Europe'*. In other words, workers in Europe worked *'one week every year to pay for non-Europe, equivalent to a cost of the order of two percent of gross national product (GNP)'*.

Subsequently, the cost of non-Europe emerged as a key concept for the Cecchini report<sup>10</sup> in 1988. This report defined CoNE as the untapped potential of a single market for goods and services among Member States of the European Community, and estimated that it could reach at least 4.5 % of EU GDP.

These efforts resulted in the introduction of the goal to progressively achieve an 'internal market' – *'an area without internal borders, in which the free movement of goods, persons, services and capital is ensured'* by the Single European Act, adopted in January 1993.

Following these key reports, the discussion about the CoNE concept and the distribution of competences advanced further, culminating in the Lisbon Treaty of 2009. This treaty conferred upon the European Parliament a co-legislative role alongside the Council in most policy areas, influencing legislation, policy effectiveness, and the quality of proposals.

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<sup>9</sup> M. Albert and J. Ball, [Toward European Economic Recovery in the 1980s. Report to the European Parliament](#), 1984.

<sup>10</sup> P. Cecchini et al., [Europe 1992: The Overall Challenge](#), European Commission, 1988

The idea of 'better regulation' also fed into this debate and led to Inter-Institutional Agreements (IIA) on better law making between the European Parliament, the European Commission, and the Council of the European Union.<sup>11</sup> These agreements underscored the imperative of transparent, evidence-driven Union interventions, emphasizing the 'EU added value' and the 'cost of non-Europe' as pivotal factors in framing the legislative agenda. In this context, the 2016 IIA on better law-making stated that, *'the potential "EU added value" of any proposed Union action, as well as an assessment of the "Cost of non-Europe" in the absence of action at Union level, should be fully taken into account when setting the legislative agenda.'*

Practically, while the European Commission holds the right of legislative initiative in the Union pursuant to Article 17(2) TFEU, the European Parliament and the Council have the right to invite the European Commission to present legislative proposals (Article 225 TFEU) through the adoption of 'legislative own-initiative reports'. Under this right, the European Parliament has the opportunity to contribute to the EU legislative process as early as at the agenda setting and legislative initiation stage.

Other EU institutions such as the Council and the European Court of Auditors<sup>12</sup> have also recognized the importance of the EAVA and CoNE concept, as well as external think tanks and research institutes.<sup>13</sup> Many researchers focused their attention on analysing the benefits coming from further EU integration, evaluating the economic advantages from the completion of single market and a more integrated EU economic policy. Their results are in line with EPRS' estimations.

Both Europe and the world have changed significantly since the Treaty of Lisbon was drafted over a decade ago. Following the Conference on the Future of Europe and in the context of unprecedented challenges and multiple crises, Members of the European Parliament put forward proposals to change the EU Treaties and enhance the EU's capacity to act and strengthen the say of citizens.

In particular, MEPs propose to establish exclusive Union competence for the environment as well as shared competences on public health matters, civil protection, industry, and education. Moreover, from the EP's point of view, existing shared powers should be developed further in the areas of energy, foreign affairs, external security and defence, external border policy, and cross-border-infrastructure.<sup>14</sup>

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<sup>11</sup> [Interinstitutional agreement on better law-making](#), O.J. C 321/1, 31 December 2003, and [Interinstitutional agreement on better law-making](#), OJ L 123, 12 May 2016, p. 1-14.

<sup>12</sup> A. Teasdale, [EU added value and the cost of non-Europe – the origins of an idea whose time has come](#), European Court of Auditors, 2020.

<sup>13</sup> See for example T. Mayer et al., [The Cost of Non-Europe, Revisited](#), Working Paper Series no. 673, Banque de France, 2018 or G. Felbermayr, [Complex Europe: Quantifying the cost of disintegration](#), 2023

<sup>14</sup> The proposals were adopted by the European Parliament in November 2023: [Proposals of the European Parliament for the amendment of the Treaties 2022/2051\(INL\)](#).

With the idea of revising the Treaties gradually gaining ground, also in the view of the possible further enlargement of the European Union, the concepts of Cost of non-Europe and European Added Value may become even more relevant.

Since the beginning of the European Integration, the EU has undergone several waves of enlargement. New impetus for enlargement has been found in the wake of Russia's war on Ukraine, leading to progress in the long-stalled process that was once known as the EU's most vibrant policy. Accepting new members will require the EU to rethink the role of the institutions and reduce political fragmentation along national interest. Indeed, increasing the number of EU Member States could reduce the political and economic homogeneity, making it more difficult to reach consensus agreement on relevant issues.

A debate on the role of the institutions, their ability to produce timely efficient choices and their democratic legitimacy remains crucial. For example, for a long time the number of Commissioners per Member State had to be no less than one and no more than two. The Treaty of Lisbon originally provided that the composition of the Commission, as from 1 November 2014, would be equivalent to two thirds of the number of Member States. At the same time, in 2013 the European Council adopted Decision 2013/272/EU,<sup>15</sup> ensuring that the number of Members of the Commission corresponds to the number of Member States, so that each of them has the right to appoint a Member of the Commission.

In the event of enlargement to 35 Member States, would it be ideal for the Union to have an executive body with such a large number of Commissioners with different portfolios? In this context, the Parliament has recently proposed<sup>16</sup> to fix the size of the Executive to no more than 15 members whereby members are chosen from among the nationals of the Member States based on a system of strictly equal rotation. However, the discussion is still ongoing.

This debate is also linked to the one on unanimity versus qualified majority vote in the Council.

To conclude, in areas where Member States display homogeneity of preferences, or when faced with a common challenge, EU action is more straightforward. In areas with a large degree of heterogeneity, EU action is more difficult. However, EU action itself brings convergence, as in the case of cohesion policy or the single market.

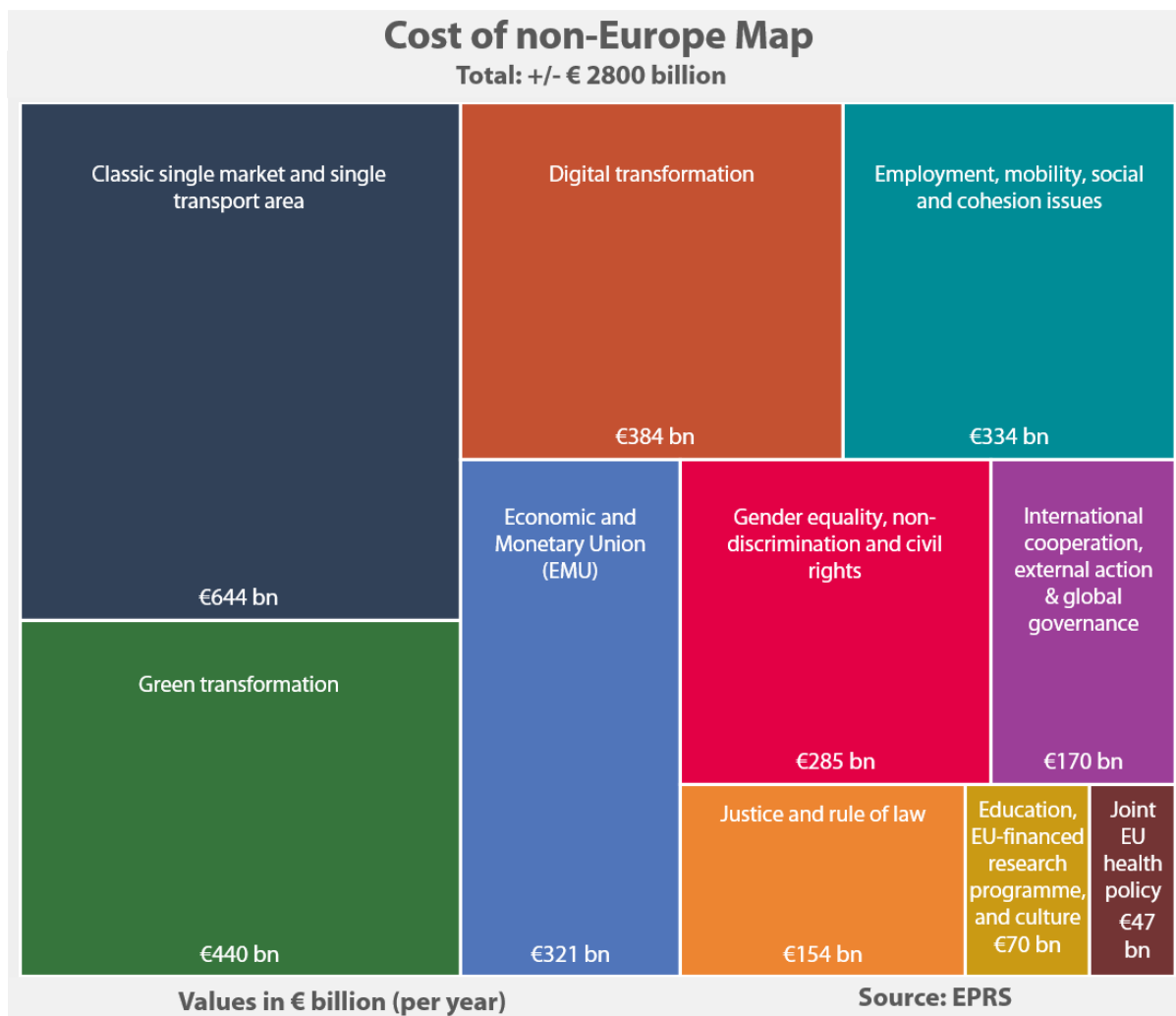
With the next elections, millions of citizens will have the opportunity to decide which direction the EU will take in the future. During the ninth legislature, MEPs voted on several files that had a direct impact on citizens' lives, such as the Green New Deal, the AI Act or the various measures to support Ukraine. The results of the Eurobarometer survey are encouraging and show that Europeans continue to value EU membership and remain rather optimistic about the future of the EU. At the same time, in a period of *permacrisis*, where one challenge is seamlessly followed by another, an increase in awareness by the citizens about their role in deciding the future composition of the EP is essential.

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<sup>15</sup> European Council, [Decision of 22 May 2013 concerning the number of members of the European Commission](#), 2013

<sup>16</sup> European Parliament, [resolution of 22 November 2023 on proposals of the European Parliament for the amendment of the Treaties](#) (2022/2051(INL)), 2023





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