

TOWARDS POLARISED DIFFERENTIATION: *Changing Configurations of European Integration*

The last few weeks have witnessed the final steps in the ratification of the Lisbon Treaty, which aims to smooth the workings of the European Union project. A year ago, the British Academy sponsored a research workshop at Cardiff University on 'differentiated' integration in Europe – that is, integration in which not all European partners participate. The workshop brought together over 20 researchers from across Europe to examine the relevance of different theoretical frameworks for explaining the extent of differentiated integration in Europe. Professor Kenneth Dyson FBA, the organiser of the conference, reflects on some of the issues.

Differentiated integration

The Euro Area, the Schengen Area, the Bologna process in Higher Education, Airbus and Ariane represent just a few of a proliferating set of European policy projects that fall into the category of 'differentiated' integration. They represent different ways of building cross-national policy communities.

In addition, various territorial forms of differentiated integration have evolved. They include the 'special' Franco-German relationship, the Baltic, the Benelux, central Europe, the Mediterranean and the Nordic areas, and cross-national regional co-operation in Alpine Europe. These are associated with the building of regional identities.



Figure 1. Lord Mandelson poses with a model of an Airbus A350, 14 August 2009. Airbus has production sites across Britain, France, Germany and Spain. Photo: Reuters/Stephen Hird.

'Differentiation' – in both its functional and its territorial forms – has been an elite-led process, in the classic Community method of integration. Indeed, it might be said to be a symptom of more general problems that beset the European integration process. Differentiated integration illustrates the institutional 'fuzziness', the lack of transparency and accountability in a process

of 'integration by stealth', and the lack of broad mass political ownership of that process. In consequence, it contributes to the general sense that elections and party competition are an irrelevance, in that they have little effect on how institutions develop and policies evolve. Moreover, the various forms of differentiated integration have not been associated with clear evidence that they are producing more effective problem solving – for instance, in stemming Europe's relative economic decline or improving the quality of social provision. In these ways, it has contributed to the weakening of the permissive public consensus on which the larger integration process depends. Though a useful tool for elites, differentiated integration has been part of the 'democratic deficit' problem rather than part of the solution.

New theoretical challenges in Integration Studies

Analysing this phenomenon of differentiated integration offers an interdisciplinary challenge to social scientists working on European integration. The changing face of integration theory reflects changes in practice, with a time lag. From the 1950s to the 1990s, the search to evolve general theories dominated the field – from 'federalism', through 'neo-functionalism' and 'inter-governmentalism', to 'historical institutionalism' and 'governance'. From the 1990s, the emphasis shifted to Europeanisation studies, which focused on the domestic effects of the integration process, and which above all imported theory from the study of institutions.

The British Academy-supported workshop sought to make sense of the changing patterns in the practice of integration by

assessing the value of competing theories to *explain* differentiated integration. It examined theories drawn from the 'public choice' literature, as well as from the literature on 'political space' and on 'political time'. Past work on differentiated integration has tended to focus less on explanation and more on analysis of its various forms – proliferating such concepts as 'à la carte', 'variable geometry', 'multi-tier' and 'multi-speed' integration, alongside 'core' Europe. Building adequate theories of differentiated integration is arguably one of the central challenges in European integration studies.

Questioning traditional assumptions

The Cardiff workshop questioned the general assumption that the unitary principle – with participating states taking on shared rights and obligations in the process – is the norm in European integration. In the traditional view, the customs union, the single European market and competition policy provide not just the core of the European integration process. They are also seen as the model for how it proceeds. This model rests on two premises. The first is technical, namely that there are mutual gains from enhanced trade in a large Europe; and correspondingly, the costs of exclusion outweigh the benefits of 'free riding'. The second is political, namely that European integration must avoid creating division and conflict. 'Differentiated' integration has been typically viewed as the exception and temporary – a useful tool to allow a 'pioneering' group to move ahead of the rest, but open to later membership by 'outsiders' and compatible with the existing *acquis communautaire*. This conception of

differentiation is built into the Amsterdam, Nice and Lisbon Treaty provisions for differentiated integration.

Public choice theory

However, the auditing of differentiated integration in the workshop showed that EU member states had been reluctant to invoke the Amsterdam and Nice treaty provisions. The widening scale and variety of forms of differentiated integration placed in question the two traditional premises. In many new policy sectors, the distribution of gains and costs from integration were asymmetrical in ways that made it rational for some states to prefer non-commitment.



Figure 2. Preparations in Paris for the launch of the euro in January 1999. Both Britain and Denmark have an opt-out from the euro, but Denmark is in the Exchange Rate Mechanism (ERM II). Recent members of the European Union Photo: Reuters/Philippe Wojazer.

For example, asynchronous business cycles have shaped attitudes to euro entry. Lack of economic alignment led states as various as the Czech Republic and the UK to defer entry. In addition, the opportunity to free-ride on the Euro Area proved a powerful incentive to remain an 'outsider'. One could still reap some gains from the trade-creation effects of the euro through the single market, as the City of London did in financial services. Like Denmark, one could combine membership of the Exchange Rate

Mechanism II (ERM II) with the implicit understanding that one could enjoy the benefits of *de facto* monetary union, whilst retaining the right to leave and devalue in a crisis.

Public choice theory offers some useful explanatory tools for understanding differentiated integration in these terms. Financial stability is a good that promotes global-level integration as the best instrument for closing down the risks from injurious 'free riding'. The single market offers gains across the EU (and the wider European Economic Area), and hence encourages unitary integration. However, price stability is a good that can be provided by appropriate domestic arrangements rather than solely via monetary union. Hence differentiated integration had a functional basis in the different properties of policy areas.

Political theories

The political rationale for remaining an outsider gained in attraction as the political threat from exclusion lost some of its power to encourage unitary integration. Giovanni Sartori's work on party systems offers a better insight into two political factors that have caused differentiated integration to proliferate: fragmentation and greater ideological distance. As the EU has grown (from 12 member states when the Maastricht Treaty was negotiated, to 27 in 2009), it is becoming more fragmented, with a greater diversity of interests represented in policy structures. However, numbers do not fully capture what is changing. The EU is increasingly characterised by divergent and intense ideological differences on questions of integration versus sovereignty, and 'market' versus 'social' Europe. Indeed, as the failed French and Dutch referenda on the EU Constitutional Treaty and then the failed first Irish referendum on the Lisbon Treaty revealed, these polarising tendencies reached deep into the political heart of the Euro Area. This development highlighted three factors: the *widening* of the EU's membership, especially the prospects of Turkish entry; the *broadening* of the policy scope of the Union into such areas as money, social policy, internal security, migration, and defence; and the *deepening* of

decision-making structures and procedures through more qualified majority voting in Council and strengthened powers of the European Parliament. These are 'politicising' the EU, dividing political elites and public opinion on its open-market and social-protection functions, and also around issues about sovereignty. Differentiation is therefore more than a technical phenomenon to be explained in functional terms. It is deeply bound up with the politicisation of the EU and needs political explanations.

Hybrid integration: towards polarised differentiation

The Cardiff workshop provided a picture of a dynamically evolving structure of European integration in which unitary and differentiated integration are ever more closely interwoven. On the one hand, long-term 'broadening' of the policy scope, 'deepening' and 'widening' have accelerated the pace and increased the incidence of differentiated integration within the EU. On the other, differentiated integration provides a mechanism for creating centripetal processes around a 'vanguard' group so that the unitary principle is strengthened over time. However, contrary to traditional assumptions, differentiated integration imparts an independent dynamic that has been strengthened by the political and technical factors mentioned above. The hybrid character of European integration is the product of the varying combinations of these centrifugal and centripetal tendencies. The interplay of unitary and differentiated integration depends on the differing characteristics of policy areas: policy drives the politics of integration. It also depends on the ideological distance and intensity that domestic elites display: politics drives policy. In short, both functional and ideological specificities colour the way in which the unitary and differentiation principles change their configuration over space and time. What emerges is a paradoxical picture in which differentiated integration reflects both the prevalence of centripetal drives (in some cases), the prevalence of centrifugal drives (in other cases), and often the uneasy and uncertain balance between the two.



Figure 3. France and Germany remain a driving force at the heart of European integration. On 16 May 2007, within hours of formally assuming office, President Nicolas Sarkozy met Chancellor Angela Merkel in Berlin, to underscore the importance of Franco-German ties. Photo: Reuters/Fabrizio Bensch.

The shift from a functional type of explanation for differentiated integration towards political explanation suggests that the EU is shifting from a predominant pattern of ‘moderate’ differentiation, essentially exceptional and temporary, towards more examples of ‘polarised’ and entrenched differentiation. This shift reflects the expansion of ideological space in the politics of European integration on the two dimensions of market/social and of integration/sovereignty. In the process Euro-sceptic opinion has hardened at the extremes. In this changing context, some states become less ‘coalitionable’ as their political elites seek to exploit or contain electoral threats from Euro-sceptic opinion. The UK is a prime example, but far from being a lone one.

Redefining the role of the traditional drivers of integration

In this changing context of more ‘polarised’ differentiation, the two traditional drivers of the European integration process – the Monnet method of functionalist integration by elites, and the Franco-German ‘motor’ – have had to take on new roles. The European Commission has been the guardian of the Monnet method, embodying the Treaty commitment to ‘ever closer union’, and exploiting opportunities to push the integration agenda into new areas. In this respect it could afford to take a partisan position, secure in a passive public

consensus. Similarly, the Franco-German relationship saw itself as the agenda-setter in European integration, confident in the supposition that no other Member State would wish to be excluded from a Franco-German-based ‘core’ Europe. When the Commission and the French and German governments were pushing together, integration seemed to have an unstoppable momentum. However, changes on the dimensions of function, size and ideology have undermined these traditional drivers. Instead, the Commission and the Franco-German relationship have had to absorb (with difficulty and a time lag) the lesson that, as differentiation becomes more polarised, their role is to perform a ‘mediating’ or brokerage role. This equilibrating function means that they seek out a ‘centre positioning’. The Commission

and the Franco-German tandem wish to remain at the heart of projects of differentiated integration, but avoid taking strongly partisan positions for fear of contributing to an escalation of conflicts. There is of course another more negative consequence. This role redefinition suggests a more passive role for these central players and the risk of inertia and *immobilisme* in the integration process.

For this reason the traditional drivers have retreated from talking about institutionalising a formal ‘core’ Europe, a topic that gained high profile in the mid-1990s (over EMU), in 1999–2001 (over eastern enlargement), and in 2003 (over the second Iraq War). Pressing ahead with such ideas, typically using the Euro Area as its nucleus, threatened their capacity to retain their ‘centre positioning’ in the integration process. The problem was not just an escalation of conflicts with outsiders. It also involved enormous differences amongst euro insiders over such matters as defence, social policy and business taxation. Instead, an informal ‘core’ of states was emerging. They shared membership across a range of

Figure 4. A press conference in Vienna in December 2007 to mark the expansion of the Schengen Area to include nine new European countries – including Austria’s neighbours the Czech Republic, Slovakia and Hungary. The poster reads: ‘Schengen new from 21.12.2007. Borders fall. Freedom wins. Security remains.’ Photo: Reuters/Heinz-Peter Bader.



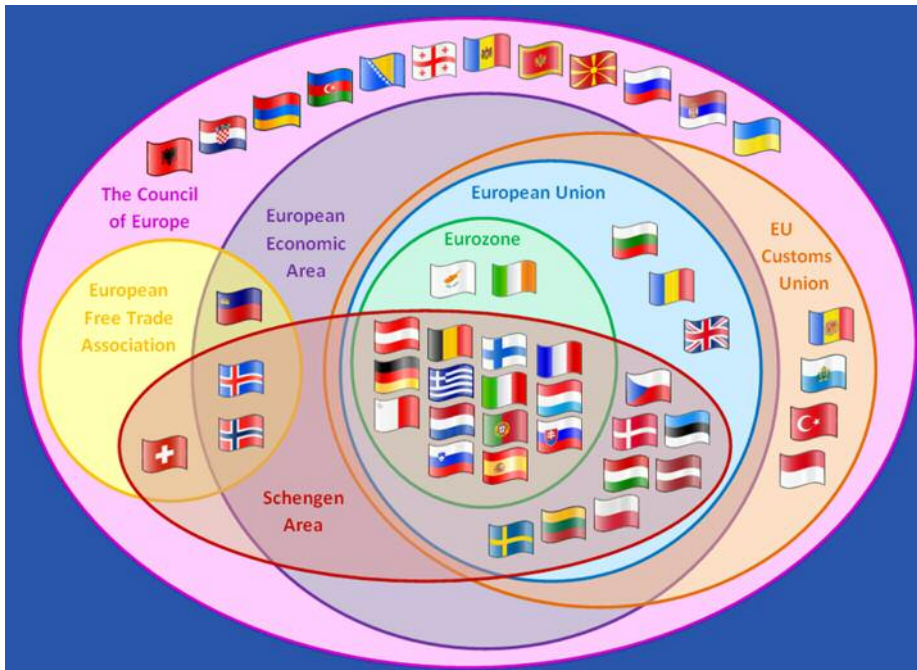


Figure 5. Diagram of supranational European bodies. Source: Wikimedia Commons.

Conclusion

The British Academy-supported workshop served to map out the broad direction in which research on European integration should proceed – from theories of unitary integration and of Europeanisation towards theories of differentiation. In the process, theory can remain close to practice. In theoretical terms its conclusions suggested that the level of analysis mattered and that politics mattered. The broad configurations of differentiated and unitary integration seemed to differ at pan-European and EU levels. More importantly, in explaining EU-level differentiation, both function and politics seemed to matter. Theory needs to pay attention to the specific attributes of policy sectors. Additionally, it needs to recognise that fragmentation caused by increased numbers and, above all, ideological distance points to a shift from ‘moderate’ to ‘polarised’ differentiation.

differentiated integration projects, from the euro, through Schengen and European Security and Defence Policy initiatives, to aerospace and industry projects. It was a core that preferred not to speak its name too loudly or to formally organise itself in these terms.

The paradox of integration at macro- and EU-levels

In seeking to unravel and explain the patterns at work in differentiated integration, the Cardiff workshop highlighted a paradox. The shift from moderate towards polarised differentiation within the EU coexisted with a different pattern at the Europe-wide level. In other words, the broad configuration of unitary and differentiated integration changed with the level of analysis.

On a macro-European level, differentiation continued but at the same time seemed to have diminished since the end of the Cold War. EU enlargement – alongside Council of Europe and NATO enlargements – gave greater unity to the continent in terms of shared rights and obligations. The EU was in effect an expanding ‘core’ Europe which exhibited powerful gravitational attraction on non-members, exhibited in the

lengthening queue of those seeking entry by compliance with the EU’s *acquis communautaire*. NATO enlargement played a similar role in the sphere of ‘hard’ power; the Council of Europe in rights and culture. Thus in 2009 France returned to full NATO membership, not least to secure stronger influence on wider debates about European defence and security arrangements. Larger geo-strategic and political economy factors underpinned this process of unitary unification around the EU, the Council of Europe and NATO. They offered secure anchors for newly liberal democratic societies that sought to combine open-market economies with generous social welfare.

This greater geographical spread of unitary integration went hand in hand with more pronounced internal differentiation as the EU, like NATO, had to accommodate more pronounced diversity with a broadened policy scope and institutional deepening. Within this macro-level context, patterns of internal differentiation became more polarised on the ideological dimension of distance and intensity, whilst differentiation also exhibited itself in a complex variety of trade and accession relationships with outsiders.

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The Euro at Ten: Europeanization, Power, and Convergence, edited by Kenneth Dyson (Oxford University Press, 2008), and *Central Banks in the Age of the Euro: Europeanization, Convergence and Power*, edited by Kenneth Dyson & Martin Marcussen (Oxford University Press, 2009), arose from British Academy conferences held in May and November 2007, respectively.
