
The Routledge Handbook of Differentiation in the European Union

*Edited by Benjamin Leruth,
Stefan Gänzle and Jarle Trondal*

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Introduction

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Benjamin Leruth, Stefan Gänzle and Jarle Trondal

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Introduction

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Introduction

On 24 June 2016, the European Union (EU) woke up facing a situation which was as much unprecedented as unexpected. For the first time in the history of European integration, citizens of a member state had cast a vote in favour of leaving the Union. The outcome of the popular referendum held in the United Kingdom (UK) sent shockwaves across the continent and the world. At that time the EU found itself centre stage of a series of challenges, including the Eurozone crisis, which had followed the global financial and economic crisis of 2007–2008, the Ukrainian crisis of 2013–2014 and so-called refugee crisis of 2015. These crises have subsequently been complemented by the Covid-19 pandemic challenging the EU since early 2020. Thus, the EU is likely to remain prone of what has accurately been coined a ‘polycrisis’ (Zeitlin 2016); in addition, throughout the 2010s, the EU has become increasingly exposed to high levels of public and party-based Euroscepticism in many of its member states (see, e.g., Leruth *et al.* 2018). Rather than breaking down, previous studies suggest that the EU has become resilient to crises owing to its ability to adapt and absorb, and if necessary, muddling-through (Riddervold *et al.* 2021).

The Brexit vote resulted in a lengthy and cumbersome withdrawal process that came to a close with the so-called transition period elapsing on 31 December 2020. Therefore, Brexit, in itself, is best understood as a *process* rather than a single event that is transforming the EU. In retrospect, Brexit was not fully unexpected either; at least not for those who had been questioning to what extent ‘Britain was European’ (Ash 2001) for a while. Ever since its successful bid for an exclusive reduction of its share to the Community budget – the famous ‘British rebate’ – in the mid-1980s the UK nurtured a reputation of being an ‘awkward partner’ (George 1998) in Europe. The state’s attitude was in line with some of its long-standing foreign policy traditions which set the UK somewhat ‘apart’ – underpinning its mutually reinforcing insular and ‘splendid’ isolation: British exceptionalism and differentiation from continental Europe – ‘where the weather comes from’ as allegedly put by Winston Churchill – have, in the aftermath of the Treaty of Maastricht, been underwritten by opt-outs covering policy areas as economic and monetary union (EMU) as well as justice and home affairs. Second, the EU and its member states themselves had come a long

way in recognizing that the core idea of its political order ultimately revolved around the reconciliation of two – at first sight – dichotomous principles, namely ‘unity in diversity’. This principle paralleled one of the EU’s strongest original objectives which consisted in the realization of ‘ever closer union’. Controversial questions surrounding member states’ rights to withdraw from the EU were legally settled through the ratification of the Lisbon Treaty in 2009 through what is now Article 50 of the Treaty on EU. Article 50 describes the procedural steps a member state is obliged to take in order to lawfully withdraw from EU membership (European Parliamentary Research Service 2016). Yet, only a few observers at that time would have guessed that this article was to become a point of reference in less than a decade already.

The unpredictable character of Brexit has led scholars to rethink its implications for the future of the EU. Some studies have focused on particular policy areas, such as trade (e.g. Dhingra *et al.* 2016a, 2016b), environment (e.g. Burns *et al.* 2019), climate change (e.g. Hepburn and Teytelboym 2017), labour market (e.g. Fagan and Rubery 2018) and foreign and security policy (e.g. Duke 2019; Martill and Sus 2018). Other studies have focused more broadly on implications of Brexit on the future of European integration (e.g. Rosamond 2016; Jones 2018; Cardwell 2019). In this vein, the European Commission (EC) ignited scholarly interest through its response to Brexit: in the ‘White Paper on the Future of Europe’ in 2017, the Commission sketched out several broad scenarios for the EU’s way ahead. A total of five scenarios were presented: ‘1: Carrying on’, i.e. following the existent path of muddling through without any major changes and reforms; ‘2: Nothing but the Single Market’ excluding areas such as migration, security and defence; ‘3: Those who want more do more’ based on coalitions of the willing; ‘4: Doing less more efficiently’ with a strong focus on further market integration leaving non-market-related affairs aside, and, eventually, ‘5: Doing much more together’ across a wide range of areas (European Commission 2017: 15–25). The importance of the White Paper, as we argued elsewhere (Gänzle *et al.* 2019), does not lie so much in capturing each scenario *per se* and in isolation, but in the remarkable fact that there is a *choice for scenarios* at the detriment of a single grand vision as well as the *nature* of these scenarios. The White Paper meticulously avoids references to the term of differentiation and carefully maintains that ‘the starting point for each scenario is that the 27 Member States move forward together as a Union’ (European Commission 2017: 15) based on the unity of the single market. Differentiation is implicitly present, when calling for further cooperation where ‘a group of countries, including the euro area and possibly a few others, chooses to work much closer notably on taxation and social matters’ (European Commission 2017: 20) using, for instance, the legal mechanism of enhanced cooperation more actively. Two scenarios, in turn, call for a ‘spill-back’ in several policy areas, ‘such as regional development, public health, or parts of employment and social policy not directly related to the functioning of the single market’ (European Commission 2017: 22). These differ from state-based ‘opt-outs’ and are best conceived of as varieties of *disintegration*. Therefore, the scenarios ultimately flesh a wide range of differentiation encompassing both integrationist and disintegrationist processes and strategies (see Gänzle *et al.* 2019).

In this sense, Brexit has revived the debate over a well-known yet often misunderstood concept: differentiation as an attribute to integration. Developed in the 1970s and gaining momentum with the ratifications of the Maastricht and Amsterdam Treaties in the 1990s, scholars have increasingly paid attention to the causes and consequences of differentiated integration (see, e.g., Holzinger and Schimmelfennig 2012; Leruth *et al.* 2019a for literature overviews). The core objective of this Handbook is therefore to demonstrate that differentiation in the EU has become a persistent phenomenon and should therefore be considered as a systemic feature of European integration. The establishment of the Eurozone in the late 1990s as well as the

subsequent ‘big bang enlargement’ of 2004 constitute the EU’s most far-reaching initiatives in terms of integration led to an increase in the use of flexibility mechanisms. By the early 2010s, less than half of EU’s 18 major policy areas still applied uniform integration (Leuffen *et al.* 2013). Although differentiation has been understood as the exception to the rule (as the favoured approach fostered among EU institutions to apply EU policies uniformly across member states), it is arguably a core and structural part of the European integration project.

In sum, after almost 70 years of deepening and widening processes, the core dependent variable in European integration studies has shifted from integration to differentiation – to put forth the main proposition and ambition of this volume. Despite a vast literature, scholars still struggle to come to grips with the full consequences on differentiation in the EU (Leruth *et al.* 2019b). By bringing together over 50 leading and early career scholars from different disciplines, this Handbook demonstrates the breadth and depth in the study of differentiation in the EU, and the diverging approaches taken to understand the phenomenon.

The introduction to this volume sets the stage for the subsequent chapters. It starts by offering a brief review of the existing literature and a deliberately loose notion of differentiation, as scholars interpret and apply the notion in various ways. We then expand on the mechanisms that foster differentiation drawing on the supply and demand models developed by Schimmelfennig and Winzen (2020). The structure of the Handbook is then presented. As the volume covers a wide range of mechanisms of differentiated integration and disintegration, this chapter also concludes with a glossary or ‘memo’ which may help the reader to understand the differences and nuances between key concepts used throughout the volume.

Before proceeding, a common understanding of the notion of ‘integration’ is needed, as it has not often been provided in the literature. The meaning of the term ‘integration’ varies across theoretical perspectives in literature and will subsequently vary across the chapters in this volume. Overall, we choose a less attended and general definition of integration suggested by James G. March (1999: 134) who sees integration as the imagination of ‘a world consisting of a set of parts. At the least, integration is gauged by some measure of the density, intensity, and character of relations among the elements of that set’. Subsequently, he suggests three parameters for integration: consistency among the parts, interdependence among the parts and structural connectedness among the parts. On this basis, disintegration would imply a lower degree of density and intensity of the consistency, interdependence and structural connectedness among these parts.

From studying ‘integration’ to ‘differentiated integration’ to ‘differentiation’ – a cursory review of literature¹

Differentiation, as discussed earlier, is not a new phenomenon in European integration. What is relatively new, however, is that it has become more conventional to include both integration and disintegration as possible variants of differentiation (Schimmelfennig 2018; Gänzle *et al.* 2019; Leruth *et al.* 2019a). Moreover, differentiation can take various forms which are often intertwined (see, e.g., Stubb 1996; Dyson and Sepos 2010). This Handbook thus suggests that differentiation constitutes a ‘normal’ state of affairs because of the Union’s institutional architecture and character as a composite polity.

The early literature on European integration did not include differentiation conceptually to make sense of the integration process. At the beginning of the European integration project in the aftermath of World War II – when the three Benelux countries, France, Italy and Western Germany, established the European Coal and Steel Community (ECSC) in 1952 – policymakers

emphasized the need for unity in Europe. This general attitude was further exacerbated by the role both the United States and the Soviet Union assumed as ‘external federators’ *vis-à-vis* the ECSC and, later, the European Economic Community (1957). In areas where ECSC members were unable to eventually agree and proceed jointly, such as in the proposed European Defence Community (EDC) of 1954, the option of choice was not to engage in forms of differentiated integration in the first place, but to ‘transfer’ to other international organizations. In the area of ‘hard politics’, one could argue the North Atlantic Treaty Organization (NATO) ultimately accounts for ‘European Security’ in structural terms until to date – despite the advent of the EU Common Foreign and Security and its variants, including, most recently, enhanced cooperation on defence in the frame of Permanent Structured Cooperation (PESCO) in 2017. European integration initially remained centred around a set of policy areas where a small number of founding member states, which at that time also converged politically in terms of their conservative, Christian democratic majorities, could ultimately agree. Consequently, this situation provided unusually favourable circumstances in Western Europe to cultivate ‘spill-overs from one functional arena to another and from lower to higher levels of common authority’ (Schmitter and Lefkofridi 2016: 2) in the terminology of neo-functionalism. The political agreement of both the political elite and the populations translated into a ‘permissive consensus’ *vis-à-vis* European integration until the 1980s. The process of integration was passively approved and has allowed to perceive European integration almost as a one-way street for a long time. Although certain limited elements of (legal) differentiation were present in the Treaty of Rome (see, e.g., Hanf 2001), they were not seriously invoked in the theory-building of European integration. None of the established grand schools of thought such as neo-functionalism and liberal intergovernmentalism proposed major research programs to account for differentiation. Neo-functionalism indeed reminded us of reverse processes of disintegration or even spill-back (Schmitter 1969). Yet, cases of disintegration and spill-back were primarily examined outside the context of European integration and focused on cases of regional disintegration in Eastern Africa, such as the one of the East-African Community (e.g. Nye 1965; see Gänzle and Wunderlich in this collection).

Retracing the evolution of differentiation in the EU

Differentiation as a genuine strategy of integration finds its roots in the Tindemans (1975) report, which laid the foundations of a ‘multi-speed Europe’ without referring to this notion in explicit terms (Stubb 1996). The broad concept of (temporary) differentiation appeared for the first time in the primary Community law in 1986, as stated in Article 8c of the Single European Act (now Article 27 of the Treaty on the Functioning of the EU [TFEU]):

When drawing up its proposals with a view to achieving the objectives set out in Article 7a [now Article 26 TFEU, author’s note], the Commission shall take into account the extent of the effort that certain economies showing differences in development will have to sustain for the establishment of the internal market and it may propose appropriate provisions. If these provisions take the form of derogations, they must be of a temporary nature and must cause the least possible disturbance to the functioning of the internal market.

While both the Tindemans Report and the Single European Act triggered only a few articles reflecting on differentiation (Ehlermann 1984; Grabitz 1984; Wallace *et al.* 1983; Wallace and Ridley 1985), academic discussions on differentiated integration eventually started in the early 1990s. This can be attributed to three main reasons. First, several opt-outs from the Maastricht Treaty were granted to the UK and Denmark in 1992, leading towards more settled forms of

differentiation that were based on *de jure* clauses, raising questions on the future of European integration. Second, the end of the Cold War opened the door to the future ‘big bang enlargement’, creating new challenges for the future of European integration with the potential diversification of national interests and possibilities of further temporary if not non-traditional differentiation (Centre for Economic Policy Research 1995). Accordingly, discussions on the constitutionalization of differentiated integration in the Treaty of Amsterdam arose, leading to the introduction of the ‘enhanced cooperation’ mechanism which, to date, has only been used in three cases (divorce law in 2010, unitary patent in 2013 and property regimes of international couples in 2016; see Philipart and Edwards 1999; Fabbrini 2012).

One of the very first attempts to conceptually grasp differentiation was made by Alexander Stubb (1996: 283). He conceived differentiated integration as ‘the general mode of integration strategies which try to reconcile heterogeneity within the European Union’. Stubb’s study is the first to conceptualize differentiated integration by listing about thirty models and classifying the mechanism into three categories linked to general concepts of European integration: ‘time’, with ‘multi-speed Europe’ as the main concept based on different temporal stages of integration (temporal differentiation); ‘space’, with ‘variable geometry Europe’ as the main concept based on differentiated integration of member states (territorial differentiation); and ‘matter’, with ‘à la carte Europe’ as the main concept focusing on differentiated integration across policy domains (sectoral differentiation).

In this early literature, terms such as ‘differentiated integration’ and ‘flexible integration’ often remain used interchangeably (see, e.g., Kölliker 2001, 2006; Warleigh 2002). Some studies did not include an explicit definition of the term (see, for instance, Andersen and Sitter 2006; de Neve 2007; Warleigh 2002). When trying to assess the idea of differentiated integration, some were particularly critical and called it as a ‘non-project’, which could lead to irreconcilable divergences in terms of managing boundaries between legal orders, political efficacy, democratic credentials and self-legitimation: ‘[c]ontingency, ambiguity and disagreement, rather than design, certainty and consensus, are key motifs in the composition of the new differentiated structure’ (Walker 1998: 374). Kölliker stated that although temporary differentiated mechanisms can trigger centripetal effects on ‘reluctant’ member states, that only applies where policy design can ‘change the fundamental character of a common pool resource or a public good’ (2001: 147). Warleigh argued that ‘flexibility offers the most useful means of balancing different (national) interests and thereby allowing progress to be made for (and in) the EU as a whole’ (2002: 2).

A series of case studies were also published between the late 1990s and early 2000s. These studies were influenced by the first generation of studies of Europeanization of the nation state (see Mény *et al.* 1996; Olsen 1996; Hanf and Soetendorp 1998; Knill 2001; Zeff and Pirro 2001; Featherstone and Radaelli 2003). Most of these empirically driven studies of differentiation focused on the relations between the Nordic countries and the EU (Mouritzen 1993; Egeberg and Trondal 1999). Petersen (1998) examined Denmark’s integration policy in what he called a ‘dilemma’ between influence capability and stress sensitivity. Gstöhl (2002a, 2002b) also published studies on ‘reluctant Europeans’, i.e. European countries that did not join the EU (i.e. Norway and Switzerland) or did not join the EMU (i.e. Sweden). Much like Kölliker, she also argued for the need to theorize differentiated integration following the ratification of the Treaty of Amsterdam (Gstöhl 2000). Interestingly, and unlike this particular interest on the Nordic countries, there were few country-specific studies focusing on the UK as a case of differentiated integration, one notable exception being the UK-based report of Centre for Economic Policy Research (1995) advocating flexibility to shape the future of European integration.

The introduction of the third stage of the EMU and the 2004 ‘big bang enlargement’ effectively led to an increase in temporal differentiation, and to the emergence of what many will dub

a ‘two-speed Europe’ (see Piris 2012). By 2010, more than half of EU policies were implemented in different ways. Majone (2009: 205) acknowledged that the EU was evolving into a ‘number of, often overlapping, state groupings established for cooperation in a variety of fields’ (see also Jensen and Slapin 2012). Scholarly contributions extended the work conducted by the first generation of scholars by improving the theoretical and empirical depth of what started to become a sub-field of European studies.

From a theoretical perspective, many studies focused on the scope and limits of differentiated integration in the EU. Andersen and Sitter (2006) asked ‘how much differentiation can the EU accommodate?’ and proposed a typology of European integration with four models based on homogeneous integration, aligned integration, deviant integration and autonomous integration. In line with the macro-sociological tradition associated with Meyer, Rowan, Powell and colleagues, they argued that differentiation now is ‘a common and normal phenomenon’ (*ibid.*: 327) and that its study should also include formal and informal arrangements. However, their work has never really been picked up in the subsequent literature on differentiation.

De Neve (2007: 516) asked whether differentiated integration is reshaping ‘the European polity into what increasingly resembles a multi-layered European Onion’ and whether there could be ‘too much’ differentiated integration (an issue that is still being debated in a post-Brexit context). Following the first Irish vote on the Lisbon Treaty, Jensen and Slapin (2012) focused on the efficiency of the ‘multi-speed approach’ and suggested a model under which opt-outs could lead to cascades, i.e. a kind of ‘domino effect’ under which member states opt out because of other member states’ decisions to opt out. The latter study, however, reflects some of the semantic confusion in the existing literature, as it somewhat contradicts Stubb’s original categorization of differentiated integration by using ‘multi-speed integration’ as a synonym of differentiation (see also Leruth and Lord 2015). The varied ideas about differentiation led Johan P. Olsen (2007) to generalize the question of what kind of political order Europe was in search of. The EU was depicted as ‘a conceptual battleground and an institutional building site’ (Olsen 2010: 81) with a varied mix of organizational forms, governance patterns and ideas about legitimate forms and speeds of integration. Institutional differentiation was eventually understood as ‘new institutional spheres have split off from older ones and developed their own identities’ (*ibid.*: 142).

Dyson and Sepos defined differentiated integration as

the process whereby European States, or sub-units, opt to move at different speeds and/or towards different objectives with regard to common policies, by adopting different formal and informal arrangements, whether inside or outside the EU treaty framework, and by assuming different rights and obligations.

2010: 4

This extends Kölliker’s definition by including formal *and* informal arrangements in the framework of differentiation, which were first introduced by Andersen and Sitter (2006). Nevertheless, both definitions only emphasize the *demand side* of differentiated integration by member states, and not its *supply side* (i.e. the role of EU institutions to shape differentiated integration).

With the Great Recession of 2007–2008, the EU entered a new multifaceted polycrisis (Leruth 2017; Riddervold *et al.* 2021). The future of European integration became an increasingly debated issue, and so did the issue of differentiated integration. The possibility of scenarios such as Grexit (i.e. Greece leaving either the Eurozone) and Brexit (re)emerged during the Euro crisis, and Eurosceptic political parties became increasingly influential across Europe (in most cases through more, and sometimes disproportionate, media exposure; see de Vreese 2007). And so did the potential for European disintegration (Vollaard 2014).

These studies of differentiated integration have been dominated by a ‘Swiss-German’ school (Gänzle *et al.* 2019: 9), with numerous scholars attempting to ‘tidy up’ the existing literature and expand knowledge on the implications of differentiation. Holzinger and Schimmelfennig outlined some of the existing shortcomings in this field of study: ‘empirical analysis has been limited to a few important cases of treaty law (such as EMU and Schengen), but there are no comprehensive data sets’ (2012: 293). They highlighted that differentiation always has territorial and sectoral impacts (see Egeberg and Trondal 1999), and that purely functional conceptions are not included in this categorization. They suggested, in turn, a categorization into six dimensions: (1) permanent vs. temporary differentiation, (2) territorial vs. purely functional differentiation, (3) differentiation across nation states vs. multilevel differentiation, (4) differentiation takes place within the EU treaties vs. outside the EU treaties, (5) decision-making at EU level vs. at regime level (i.e. intergovernmental decisions) and (6) only for member states vs. also for non-member states/areas outside the EU territory. Referring to several empirical examples, the authors underline that ‘differentiated integration comes in an astonishing variety of forms and [...] the concepts of differentiated integration can and should be used systematically to describe these forms and their frequency’ (*ibid.*: 297).

A major attempt at categorizing differentiated integration was also undertaken by Leuffen *et al.* (2013), describing the EU as a system of differentiated integration, i.e. ‘one Europe with a single organizational and member state core and a territorial extension that varies by function’ (Schimmelfennig *et al.* 2015: 767). Basing their study on differentiation of primary law, they argue that differentiated integration varies primarily along two dimensions: variation in the level of centralization across policies (vertical differentiation) and variation in territorial extension across policies (horizontal differentiation). Furthermore, they classify horizontal differentiation into four subcategories: (1) no horizontal differentiation, where all EU rules apply uniformly to all EU member states (e.g. pre-Maastricht Europe); (2) external differentiation, where EU rules apply uniformly to all EU member states and where non-member states also can adopt these rules (e.g. the European Economic Area, EEA); (3) internal differentiation, where EU rules do not apply uniformly to all EU member states (e.g. Denmark through the Edinburgh Agreement or the enhanced cooperation procedure); (4) internal and external differentiation, where EU rules from which some EU member states opted out, while non-member states opted in (e.g. Schengen).

Between the mid- and late 2010s, studies have focused on a variety of aspects of differentiated integration, such as constitutional differentiation (Schimmelfennig and Winzen 2014, 2020, the effects of EU enlargement on differentiated integration (Schimmelfennig 2014; Schimmelfennig and Winzen 2017) and how differentiation affects EU governance (Schimmelfennig 2016a, 2016b). Studies have also focused on differentiated integration within EU legislation, which demonstrate the increasing complexity of EU law and law-making (e.g. Kroll and Leuffen 2015; Duttler *et al.* 2017). Special collections in the *Journal of European Public Policy*, *Comparative European Politics* and the *Journal of Common Market Studies* reflected on the evolution of the literature on differentiated integration and included further theoretical and empirical work, notably reflecting on the future of the EU (see, e.g., Fossum 2015; Leruth 2015; Lord 2015; Warleigh-Lack 2015; Gänzle *et al.* 2019; Fabbrini and Schmidt 2019). De Wilde and colleagues have argued that a differentiated EU leads to differentiated politicization across times, countries and settings (De Wilde *et al.* 2016).

In sum, these studies have provided theoretical and empirical contents to the literature on European differentiation and suggested conceptual perspectives for studying the phenomenon. Moreover, this line of literature conceives of differentiation as a persistent and ‘normal’ feature of European integration. Yet, the study of differentiation still harboured a myriad of concepts and definitions of the phenomenon as well as theories to explain it.

Beyond differentiated integration in a post-Brexit Europe

With Brexit, the EU was once again at a crossroads, and so was the scholarly literature on European differentiation. The UK's vote to leave the EU and the British government's subsequent decision to trigger Article 50 meant that the Union was facing a series of unprecedented challenges in uncharted territories. As a result, scholars have attempted to explain how and why Brexit happened as well as likely consequences for the future of the EU. For the first time in the history of the EU, one country chose to leave the Union, thus leading not only to differentiated European integration but eventually towards a form of European *disintegration*. Studies of European disintegration are relatively scarce, mostly because of the lack of empirical evidence pre-Brexit (Zielonka 2014). The first studies of European disintegration were produced by Vollaard (2014) and Webber (2014), written in the context of the Euro crisis. Douglas Webber (2014) was one of the first academic articles to discuss the possibility of European disintegration, with a strong focus on the role of the states. In so doing, his work also makes a broader plea for mid-range theories which explain how exogenous shocks are absorbed in ways that reflect the endogenous bias of already existing rules and routines. When applied to how the EU adapts to crisis, institutional perspectives have focused on how institutional segmentation of the EU fosters differentiated crisis sensitivity and crisis management within different policy domains. Consequently, crisis in one policy area, it is argued, does not necessarily spill over to neighbouring policy areas, thus not reverberating across entire systems. In broader terms, 'bad' solutions may therefore be implemented in parts of organizations without ruining it all (Ansell and Trondal 2018). Similar ideas from Genschel and Jachtenfuchs (2018) suggest that processes of (dis)integration may unfold differently in policy domains of core-state powers (through institutional capacity-building) and non-core state market integration (through regulatory measures).

Some of the recent literature on crisis, disintegration and differentiation in Europe also combines explanations based on collective actors' cost-benefit calculations – such as the promotion of equality of opportunity among EU members (Jones 2018) and institutionalist explanations focusing on how crises are channelled through and mediated by pre-existing institutional frameworks and resources (e.g. Bátorá and Fossum 2020). Consistent with the conclusions of this Handbook, both Vollaard (2018) and Bátorá and Fossum (2020) suggest that the EU mainly *muddles through* crisis (Riddervold *et al.* 2021), either by means-end calculating member states balancing different strategies of exit, voice and loyalty (Vollaard 2018) or through institutional lock-in mechanisms influenced by pre-existing segmented institutional orders (Bátorá and Fossum 2020).

Similarly, by combining insights from studies of European disintegration, post-functionalism and differentiated integration, attempts have recently also been made to draw on the Brexit crisis as a groundbreaking case of differentiated disintegration to explore the mechanisms underlying these processes (Leruth *et al.* 2019a). Brexit has reinvigorated differentiated integration as a key focus of research in EU studies. Common to this literature is the idea of crisis as a catalyst of increased European differentiation. According to Bátorá and Fossum (2020), Schimmelfennig (2017, 2018) and a Symposium in the *Journal of Common Market Studies* by Leruth *et al.* (2019b), differentiation is a persistent and embedded phenomenon in the EU – a *systemic feature* and not a mere episode in the history of integration. The process of European integration is abundant with examples of fundamental crises, such as the ones triggered by the failure of the EDC in 1954, the empty chair crisis of 1965–1966 or the 'Eurosclerosis' of 1970, to name but a few. Yet, the full *disintegration* of the Union has never happened and is in line with the findings of this volume not likely to happen according to Vollaard (2018: 259). Theorizing this phenomenon,

scholars have argued that differentiation is driven by the need to find functional or constitutional compromises (Leuffen *et al.* 2013; Schimmelfennig 2017, 2018) and linked mechanisms of supply and demand: those on the demand side mostly consist of the national governments of one country or a group of countries that do not wish to follow the integrationist path taken by the inner core of the EU, while the supply side consists of pro-integrationist governments from member states that accept the demands to move away from uniformity (Leruth *et al.* 2019b). Differentiation, arguably, not only covers processes where groups of member states proceed with more integration but also processes under which a member state withdraws from participation in the process of European integration (full exit; Leruth *et al.* 2019b), or component parts of member states withdraw (partial exit), leading to processes of differentiated disintegration (Vollaard 2018: 233).

One caveat may be added to this discussion: differentiation should not be just understood as yet another form of or response to crisis (Saurugger and Terpan 2016; Riddervold *et al.* 2021; Brack and Gurkan 2021). The process of European integration is abundant with examples of fundamental crises. Differentiation is not a crisis *per se*; it needs to be understood as a *variant* of integration. It should also be noted that differentiation is neither a feature that is unique to the EU. Even in terms of differentiated disintegration, several regional organizations such as the Eurasian Economic Community (EAEC) – predecessor of the Eurasian Economic Union – or the Economic Community of West African States (ECOWAS) have seen states withdrawing from cooperation (Gänzle 2019). Despite the regional focus of this collection, it also offers accounts that may affect how other regional and international organizations deal with diverging interests across member states, periods of integrational stagnation or threats of disintegration.

An inclusive definition of differentiation

The above-mentioned section has shown that differentiation has taken different meanings in the literature (Leruth and Lord 2015; Leruth *et al.* 2019a; Gänzle *et al.* 2019). It was often used interchangeably with terms such as ‘flexible integration’ (e.g. Kölliker 2001; Warleigh 2002) and translations of the term also vary (e.g. Crivat 1997). As outlined earlier, Stubb (1996: 283) was among the first ones to offer a clear-cut definition of differentiated integration and gave it a clear goal, namely ‘to reconcile heterogeneity within the European Union’. Subsequent studies have offered complementing (or sometimes competing) definitions of the term. As differentiation progressively has become a persistent feature of European integration affecting over half of EU policy areas, Leuffen *et al.* (2013) eventually argued that the EU should be understood as a *system* of differentiated integration.

The semantic confusion and lack of catch-all definition are perhaps best explained by the fact that differentiation has been a moving target over the past decades. Going back to the roots of differentiation with the ratification of the Treaty of Rome in 1957, differentiation was a purely legal matter (Hanf 2001). It then became an abstract proposal to overcome the period of Eurosclerosis in the 1970s, with Belgian Prime Minister Léo Tindemans (1975) calling for a ‘multi-speed’ Europe (Koenig 2015). Such temporary form of differentiation later appeared in the Single European Act, before gaining momentum in the early 1990s with the complex ratification of the Maastricht Treaty, the end of the Cold War and subsequent planning of the 2004 big bang enlargement. As any future rounds of EU enlargement were going to lead to a growing diversification of national interests (Centre for Economic Policy Research 1995), differentiated integration was seen as a tool to reconcile such heterogeneity, as covered by the definition of Stubb (1996). The introduction of the enhanced cooperation mechanism through the ratification of the Treaty of Amsterdam, the *de facto* EMU opt-out given by the EC to Sweden in

2003 and discussions surrounding the eventual British withdrawal from the EU meant that differentiation took various meaning that went beyond its original meaning. Subsequently, the Brexit vote triggered an unprecedented process of differentiated *disintegration*, the latest form of differentiation.

Crucially, however, this Handbook documents that differentiation must not be used as a synonym of differentiated *integration*. Broadly speaking, differentiation is conceptually best conceived in terms of heterogeneity and does not describe a movement towards more or less cooperation. Differentiation as a term therefore covers both differentiated integration *and* differentiated disintegration. Furthermore, differentiation is an umbrella term covering a wide range of (dis)integrationist techniques such as multi-speed Europe, variable geometry or *à la carte* Europe (Stubb 1996; Holzinger and Schimmelfennig 2012).

This Handbook includes contributions from authors who offer different perspectives on the roots, scope and normative impact of differentiation. The inclusive definition used in this Handbook is that *differentiation* is an *umbrella term referring to heterogeneous modes of integration and disintegration in the EU*.

How differentiation works: a supply and demand model

Several authors have developed a supply and demand model of differentiated integration anchored in rational choice theory. Moreover, this model expands the rational choice premises developed by liberal intergovernmentalism. Schimmelfennig and Winzen (2020) have recently developed this line of arguments and established a theory of supply and demand for the study of differentiation, which is particularly useful in order to understand how this phenomenon became increasingly influential in the EU. For that reason, we will refer to it more extensively. The demand side generally comes from national governments of one or a group of countries that do not wish to follow the integrationist path taken by the ‘inner core’ of the EU (e.g. the UK and Denmark, the two ‘champions’ of differentiated integration), while the supply side mostly consists of pro-integrationist governments, the so-called insider group. Yet, it should be noted that governments are not alone in requesting and accepting differentiation in the EU: other actors are also directly or indirectly involved in shaping both supply and demand. Supranational actors such as the EC or the European Parliament (EP) can promote or hinder differentiation as the ‘way forward’ (recall the White Paper discussed in the first section). At the domestic level, political parties, civic movements and public opinion can also shape a government’s position on European integration, as is the case with other highly politicized issues such as migration. In addition, demand for differentiation can be driven by the public especially when referendums are held. Some countries’ constitutions require such referendums to be held (as is the case in Denmark and Ireland), while in other countries, government may opt to hold advisory plebiscites for electoral gains or internal divisions (this happened in France, the Netherlands, Sweden and the UK). Where referendums focus on a country’s participation in specific EU policies, the people’s decision may be hard to overturn, even in the case of advisory referendums, as this may fuel otherwise Eurosceptic sentiments (Leruth *et al.* 2018).

Schimmelfennig and Winzen (2020) further analyze the circumstances that affect both supply and demand for differentiated integration and further contribute towards the theorization of the circumstances that create the conditions for differentiation in the EU and beyond. They argue that demand for differentiated integration is driven by three dimensions of heterogeneity. The first one is the heterogeneity of preferences among member states, according to which governments do not share similar values or disagree on supporting specific policies (as was the case, for instance, with issuing ‘corona bonds’ as a response to the coronavirus crisis). The heterogeneity of preferences tends to be linked to the salience of national identity, as support for

European integration varies depending on the exclusiveness of identity: ‘the more exclusively an individual identifies with an ingroup, the less that individual is predisposed to support a jurisdiction encompassing outgroups’ (Hooghe and Marks 2009: 12). Accordingly, one would expect that countries where exclusive national identities prevail demand more differentiation, as is the case with the UK. The second type is the heterogeneity of dependence, under which governments are not affected in similar ways by one or several factors (such as cross-border pollution). Such heterogeneity of dependence means that some countries may benefit from participation in EU policies more than others, with the latter group being more disposed to demanding differentiation. The British and Irish opt-outs of Schengen further illustrate such heterogeneity of dependence, given their insular location. The third form of heterogeneity identified by Schimmelfennig and Winzen is the heterogeneity of capacity, under which governments lack the financial and/or technological means to cooperate. The Polish opt-out of the European Council’s agreement towards carbon neutrality by 2050 is an example of such heterogeneity of capacity, as the Polish government argued that the country’s reliance on coal (on top of political divisions on the matter) was non-negotiable. The authors further argue that the two dimensions of heterogeneity create conditions for an ‘à la carte’ (or, in the authors’ words, a ‘multi-menu’) Europe, while the third one creates conditions for multi-speed differentiation supposing that countries demanding differentiation will eventually rejoin the inner core of integrationist countries.

Schimmelfennig and Winzen further identify three supply-side factors that determine whether differentiated integration will effectively take place. The first one is the size of the insider group, which needs to be large enough to create patterns of integration. The second factor is whether differentiation creates positive or negative externalities. If proposed differentiation creates negative conditions for the supply-side group and hinders the effectiveness of a policy at the EU level, then differentiation is less likely to be accepted by the integrationist group. The third factor is the institutional context such as decision-making rules (to determine whether differentiation is allowed) and integration norms. It is the combination of all these factors that help explain why EU member states agreed to grant opt-outs to the UK in the early 1990s. Differentiation also creates path-dependency: once agreed, opt-outs are difficult to roll back and may even spill over other policy areas, which (partly) explains how differentiation becomes so prominent in the 2010s. One factor that is perhaps understudied in the field is the role institutions play in shaping supply differentiation, for instance with regards to the decision-making mechanisms used and/or favoured by actors. Hence, the second part of this Handbook is dedicated to these institutions.

Overview of the Handbook

The volume is outlined in five separate parts, each with a section introduction that introduces and summarizes the most important contributions of each section. Part 1 outlines the core set of theoretical approaches that have become important to the study of differentiation in the EU. Part 2 focuses on institutional differentiation, with chapters covering differentiation EU institutions such as the EC, the EP, the Council, the European Central Bank, the European Court of Justice and EU agencies. Part 3 focuses on policy differentiation, with chapters on differentiation across an array of policy fields such as fisheries, market, competition, social policy, asylum, energy, climate, foreign, defence and security policy. Part 4 focuses on territorial differentiation, with chapters on the Nordic countries, Turkey, and the Western Balkans. Finally, Part 5 is devoted to Brexit. The Handbook finally closes with two chapters: first one concluding chapter that brings the Handbook to a close and second one an epilogue chapter on the role of crisis in the study of differentiation and with an empirical study of how the corona crisis has impacted the EU.

Note

1 This section draws on Leruth *et al.* (2019).

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Appendix: a glossary of differentiation

Differentiation is a complex phenomenon that takes a wide range of forms, which are often confusing or (wrongly) used interchangeably. This Handbook makes reference to a wide range of concepts and models of differentiation, which all have varying scopes, causes and effects. In order to help the reader understand the key differences between these different concepts and models, Table 1.1 offers a summary of key concepts that are used by contributors throughout this volume.

Table 1.1 Summary of key concepts

Notion	Definition (and key reference)
Constitutional differentiation	Differentiation adopted following treaty revisions transferring further power to the EU by member states concerned about national sovereignty and identity (Schimmelfennig and Winzen 2014)
De facto differentiation	Differentiation not legally enshrined in EU treaty, but de facto acknowledged by European institutions, e.g. Sweden's 'opt-out' from EMU (Andersen and Sitter 2006)
De jure differentiation	Differentiation legally enshrined in EU treaty, such as protocols, allowing member states to permanently opt out, e.g. Denmark with regards to EMU (Leruth <i>et al.</i> 2019b)
Discriminatory differentiation	Form of instrumental differentiation under which new member states are excluded from some EU membership benefits for a limited time (Schneider 2007)
Exemptive differentiation	Form of instrumental differentiation under which new member states are exempted from specific membership obligations (Schimmelfennig 2014)
External differentiation	Refers to areas where EU non-member states can also adopt rules EU rules which apply uniformly to all EU member states, e.g. in the context of the European Economic Area, EEA (Leuffen <i>et al.</i> 2013)

(continued)

Table 1.1 Cont.

<i>Notion</i>	<i>Definition (and key reference)</i>
Horizontal differentiation	Refers to variation in territorial extension across policies (Leuffen <i>et al.</i> 2013)
Internal differentiation	Refers to areas where EU rules do not apply uniformly to all EU member states, e.g. Denmark through the Edinburgh Agreement or the enhanced cooperation procedure (Leuffen <i>et al.</i> 2013)
Internal and external differentiation	Refers to areas where EU rules from which some EU member states opted out, while non-member states opted in, e.g. Schengen (Leuffen <i>et al.</i> 2013)
Instrumental differentiation	Transitional arrangements between new member states and the EU institutions to pave the way towards full membership without delaying the accession process (Schimmelfennig and Winzen 2014)
Positive differentiation	Often with normative undertone, allowing other member states to proceed without impacting negatively on those who do not join, e.g. in the framework of enhanced cooperation
Negative differentiation	In highly politicized intergovernmental policy areas, such as the Common Foreign and Security Policy (CFSP), differentiation in cooperation has been the starting point – rather than integration (Howorth 2019)
Vertical differentiation	Refers to variation in the level of centralization across policies (Leuffen <i>et al.</i> 2013)