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Enlargement and the Integration Capacity of the EU. Interim Scientific Results

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ENLARGEMENT AND THE INTEGRATION CAPACITY OF THE EU

Interim Scientific Results

Frank Schimmelfennig, Tanja A. Börzel, Elitsa Kortenska,
Julia Langbein and Dimiter Toshkov

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Contents

1.	Introduction	6
2.	The Development of Enlargement	7
3.	Assessment of Integration Capacity	10
3.1	Internal Integration Capacity	10
3.1.1	Perceptions of and Attitudes towards Enlargement	10
3.1.2	Institutional Reform and Deepening	12
3.1.3	Policy-Making	14
3.2	External Integration Capacity	16
4.	Strengthening External Integration Capacity: Modes of Integration	17
4.1	Political Modes of Integration	17
4.2	Economic Modes of Integration	19
5.	Conclusions	20
6.	References	23

1. Introduction

This report takes stock of the intermediate research results of the MAXCAP FP7 project. It starts from the framework of analysis established in MAXCAP Working Paper No. 1 (Schimmelfennig 2014) and summarizes the main intermediate results of the project roughly one year later.

To reiterate the key points from the framework of analysis, MAXCAP focuses on the study of integration capacity and its relationship with the enlargement of the EU. Integration capacity refers to preparedness for enlargement. Internal integration capacity denotes the preparedness of the EU to enlarge; external integration capacity refers to the preparedness of non-members to integrate with the EU. The main dimensions of internal integration capacity are “public support” – or, broadly speaking, social acceptance¹ – for enlargement and the EU in general and the capacity of “institutional reform” and “policy-making”. Policy-making can be further subdivided into decision-making capacity, implementation capacity (including effective compliance and enforcement), and financial/budgetary stability. External integration capacity is based on democratic consolidation, governance capacity, economic capacity, regulatory alignment and public support in non-member countries. The components of internal and external integration capacity are the major supply factors for enlargement, understood as a gradual process of horizontal integration.

The framework of analysis further theorizes the factors that affect internal and external integration capacity and their impact on enlargement. Veto players and weak state capabilities are the major domestic obstacles in the non-member states, which can, however, be compensated by EU capabilities, the ability of the EU to build transnational coalitions, and an effective negotiation design. Internal integration capacity improves the EU’s ability to help non-member countries prepare for closer integration. Further research will build on the following hypotheses: We assume that demand for integration increases with the extent of community (of values and norms and/or the extent of interdependence between member states and non-member states) and that the supply of integration (enlargement) increases with the external and internal integration capacity. External integration capacity decreases as the capabilities of non-member countries decrease and veto players (in the non-member states) increase. Furthermore, it increases with the capabilities of the EU, the ability of the EU to build transnational coalitions, and the effectiveness of negotiation design. Internal integration capacity increases as veto players (in the member states) decrease and institutional reforms ensure policy-making effectiveness and financial stability.

Finally, we assume dynamic effects of enlargement. First, requirements for integration capacity increase with status. Second, the relevance of internal integration capacity (as compared to external integration capacity) increases as the enlargement process progresses. Third, enlargement increases interdependence between the EU and non-member countries and thus demands for further enlargement. And fourth, enlargement creates positive feedback effects if non-member or new member state capacity proves durable, and EU capacity is strengthened (or at least not undermined).

1 We have investigated public opinion and discourses on EU enlargement as different aspects that influence the social acceptance of previous and future enlargement.

This interim report first describes the general development of enlargement since the mid-1990s (section 2). It then focuses on the assessment of internal and external integration capacity (section 3). In section 4, preliminary findings on EU modes of integration and negotiation design are reported. The report builds on the available working papers of MAXCAP. In addition, we thank all MAXCAP partners for providing us with summaries of their preliminary findings and Daniela Chodorowska and Julia Langbein for synthesizing the input.

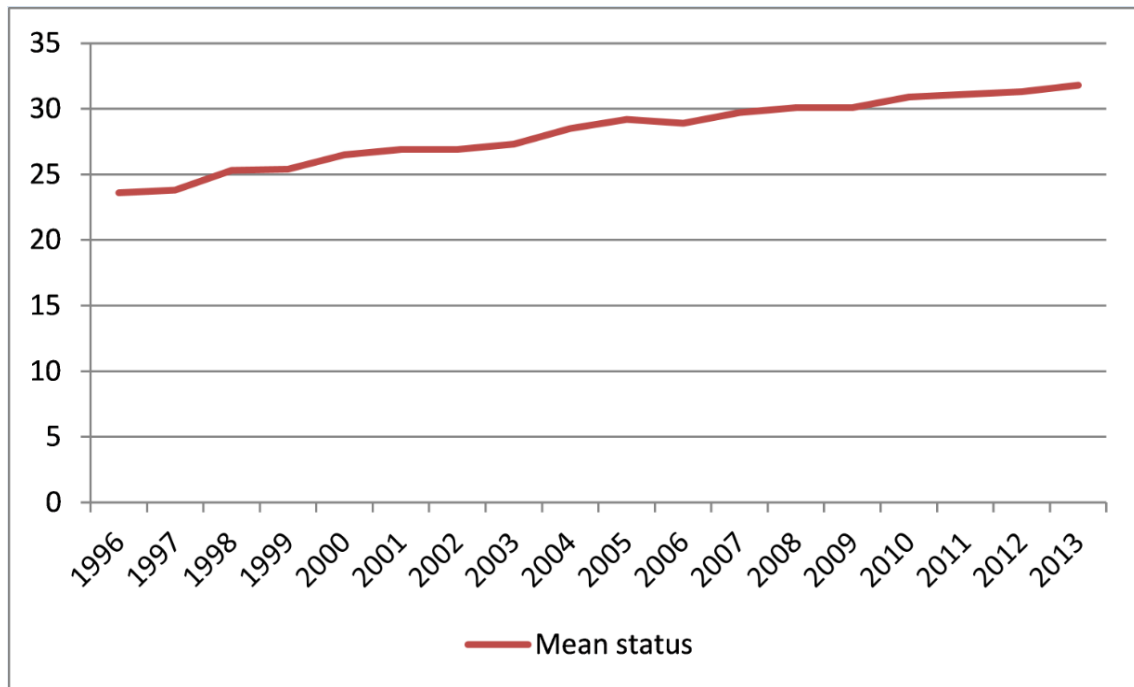
2. The Development of Enlargement

In the framework of analysis, enlargement was broadly defined as horizontal integration, i.e. “a gradual process of territorial extension of the EU and its integrated policy regimes” (Schimmelfennig 2014: 15) and going beyond the simple dichotomy of members and non-members. In order to assess how enlargement has developed over time, we updated an existing database of enlargement (Enlabase; Schimmelfennig 2003), which captures the horizontal integration of the EU in a detailed way. It distinguishes degrees of membership in the EU based on a coding of the treaty relationship of a country with the EU from no status to full membership. The status of a country vis-à-vis the EU is classified according to five broad categories: “no special status” (codes 0-9) including simple trade agreements, “partnership” (codes 10-19) including trade and cooperation agreements, partnership and cooperation agreements, and free-trade agreements, “association” (20-29) including association agreements, customs unions, and the European Economic Area, “partial membership” (30-39), i.e. membership without participation in the euro and Schengen areas, and “full membership” (40-47). For each treaty relationship, the coding distinguishes between the start of negotiations, the signing of the treaty, interim agreements (if applicable), and the entry into force.² Finally, the dataset covers “Europe” defined as “OSCE-Europe” from 1949 to 2013 including up to 56 countries depending on the year.

One way of measuring the development of EU horizontal integration is the average EU integration status of European countries in each year. From 1996, the year after the completion of the 1995 EFTA enlargement, Figure 1 shows a slow but steady increase in horizontal integration. In 1996, the mean status was “advanced association”; by 2013, it had increased to “partial membership” (entry into force of accession treaty without Schengen or euro area participation). Whereas this measure shows that enlargement has progressed over time, it does not capture either the pace or rate of change well.

2 The codebook is available from the authors.

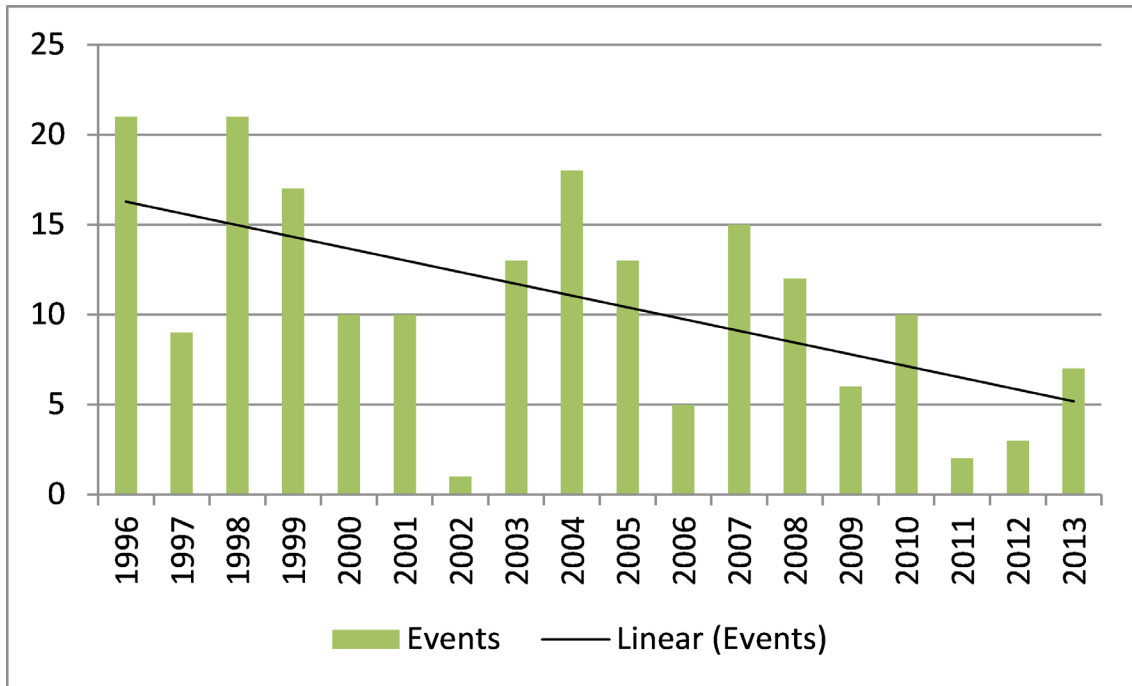
Figure 1: Mean EU integration status of European countries



Source: Enlbase14

Another way of looking at EU enlargement is the number of enlargement events per year, i.e. the number of status changes (almost always status upgrades) that the countries of the region have experienced in relation to the EU. Figure 2 shows high year-to-year fluctuation in the EU's enlargement activity (ranging from 1 in 2002, the entry into force of the bilateral treaties with Switzerland, to 22 in 1996 and 1998). The linear trend points strongly downward, however; it shows that enlargement events were three times as frequent in 1996 as they were in 2013. This suggests that, whereas status levels have slowly increased over time, status changes have decreased. In other words, enlargement seems to have become significantly less dynamic during the past 15 years.

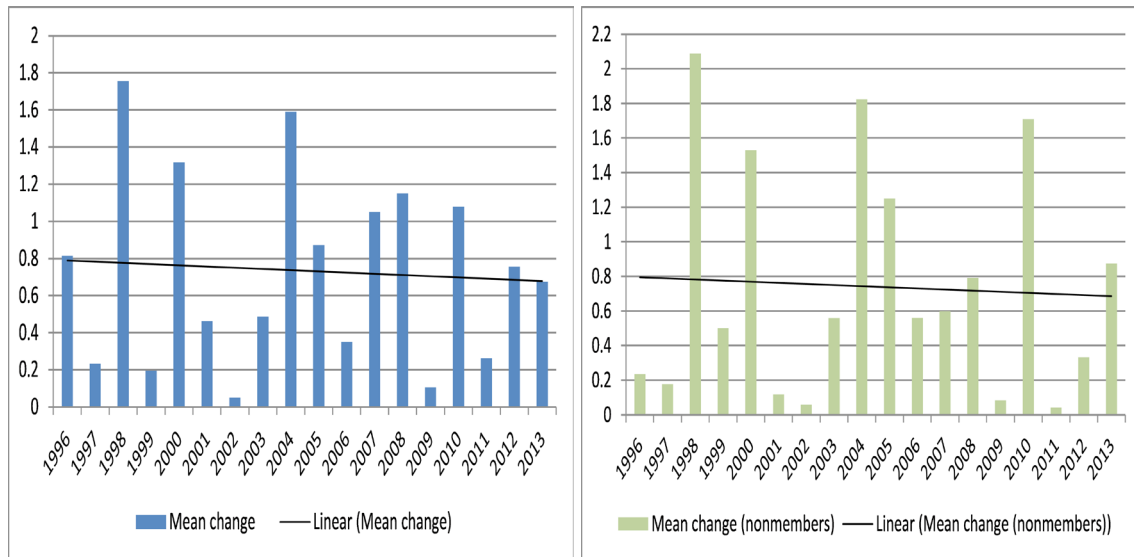
Figure 2: Number of enlargement events per year



Source: Enlabase14.

The number of events needs to be interpreted with caution, however. First, there is a ceiling effect in enlargement. Countries that have reached the highest status cannot move further (and normally do not reduce their full membership status). Second, the number of status changes does not say anything about the degree of change. Countries could move up by one status grade or by several grades. Figure 3 therefore shows the results of a more sophisticated analysis of change, which takes into account the extent of status changes. In addition, countries are removed from the analysis once they have reached the highest status in order to control for the ceiling effect. The left-hand graph in Figure 3 reports the mean status change from one year to the next (first difference) for all countries that had not yet reached the highest level of membership in the previous year (43 countries in 1996 and 37 countries in 2013). Despite strong annual fluctuation, change has always been positive – this reflects the general trend shown in Figure 1. And while there has been an overall decline in the extent of status changes over time (in line with Figure 2), it has been very small (from around a mean status increase of .8 for each country in 1996 to an increase of around .7 in 2013). The graph on the right only includes non-member countries – countries drop out of the sample once they have become formal members of the EU. This graph shows that the annual fluctuation of integration is higher in the case of non-member countries but the averages and their development are almost exactly the same as for the entire population of European countries. The peaks represent the start of accession negotiations with the first 12 countries in 1998 and 2000, the accession of 12 countries in 2004, and the start of association negotiations with the Eastern Partnership countries in 2010.

Figure 3: Mean annual status changes of European countries (left) and of European non-member countries



Source: Enlbase14

In sum, it can hardly be argued that EU enlargement has lost its momentum or is in crisis. Based on a concept of enlargement that goes beyond formal membership and non-membership, and capturing gradual horizontal integration across a wide range of institutional relationships, the level of the EU integration of European countries has slowly but steadily increased since the mid-1990s, and the rate of integration has only decreased minimally over time.

3. Assessment of Integration Capacity

3.1 Internal Integration Capacity

3.1.1 Perceptions of and Attitudes towards Enlargement

The way citizens talk about and understand enlargement as well as public opinion and attitudes captured by public opinion surveys are both aspects that influence the ability of the EU to enlarge in the future. In this sense, public support is a major dimension of the EU's internal integration capacity. MAXCAP Working Paper No. 2 (Toshkov et al. 2014) concludes, however, that EU public opinion is getting increasingly hostile towards the possibility of future EU enlargement and can be mobilized by anti-EU political groups in actual voting behavior on the topic. With regard to Eastern enlargement, a plurality of EU citizens expressed a positive rather than negative evaluation the last time they were polled in an EU-wide representative survey in 2008. Yet this weak net positive assessment already concealed a considerable dissatisfaction in many of the old member states. As of 2012, a majority of the European population expressed opposition towards future enlargements of the EU. Practically in all member states and in some official candidates for membership

as well, support has eroded since the early 2000s. It is quite significant that countries which had already had low levels of net support in 2002 have found potential for additional decreases (e.g. France, Austria, Germany) and those starting from high levels have similarly followed the trend. The existing studies also find a significant gap in EU enlargement attitudes and evaluations between the elites (more in favor) and the general public as well as between old (more against further enlargement) and new member states. Altogether, the most recent surveys of EU public opinion point to a considerable “enlargement fatigue” among EU citizens.

This general trend conceals huge variation in the support for individual non-member countries, although the EU public has a very low awareness of which countries are actually in the accession process. Generally, Western European non-members (Iceland, Norway, and Switzerland) were supported by two-thirds to 75 percent majorities in the EU-15, whereas Eastern European non-members have remained below 50 percent. Turkey and Albania have ranked at the bottom of the table (with one quarter to one third of the population in favor). Public support thus does not refer to an abstract policy of enlargement but to the concrete candidates that citizens have in mind or are asked about. Because support for enlargement depends on perceptions of both economic cost and cultural threat, public support is strongly shaped by how people assess the economic costs or cultural threats caused by the accession of individual countries. “Support or opposition for enlargement are determined above all by the candidate country itself, as are the specific factors affecting public opinion, be they utilitarian or identity considerations” (Toshkov et al. 2014: 35).

The review of mass survey data and state-of-art literature on public opinion towards enlargement revealed quite a number of limitations of existing surveys and analyses of public opinion. Surveys have been sensitive to the phrasing of survey questions and the conditions attached to the questions; for example asking whether candidates can accede when they are ready produces a different answer than simply asking whether they can join. In addition, questions are often based on political frames and academic understandings of European integration and lead to a reinstatement of the East/West dividing lines found in previous research (cf. also Dimitrov et al. 2015).

In order to correct for some of the inherent bias of survey methods, the LU team has conducted an in-depth study of the social acceptance of EU enlargement among citizens. Extensive data collection by means of focus groups and individual interviews – specified by Q method - has been conducted in The Netherlands, Germany (founding members of the EU), Poland, Bulgaria (2004/2007 entrants) and Serbia and Macedonia (candidate countries). The fieldwork revealed that attitudes and opinions towards EU integration and enlargement are misleading in the establishment of a dichotomy of public support versus opposition. In a similar vein, the preliminary factor analyses of the six country studies show that the pro/anti distinction is oversimplified. Instead, citizens are selective in their preferences for accession of some over others and often modify their positive stance based on expectations rooted in history, identity or their own experiences with enlargement. The conditions for approval of EU accession of any next country are not limited to the performance of the candidate or the economic costs and cultural threats alone, but include also all kinds of other considerations differing per country and most importantly between rural and urban settings.

Discourses as opposed to public opinion contain more than mere utilitarian and cultural considerations. They reveal holistic viewpoints and rationales which are at times emotionally charged and bound with collective memory of historical events and identity. Furthermore, on a number of occasions some of our respondents have expressed difficulty naming the countries of accession and even current lists of EU members.

We are yet to complete the final factor analyses of the six case studies in order to first identify the existing discourses and then put them in comparative perspective. We aim at finding whether there are “bridging” discourses which can play the role of “institutional software” to communicate the effects (intended and unintended) of the 2004/2007 enlargement and to appeal for further enlargement of the EU, thus increasing both the internal and external integration capacity of the EU.

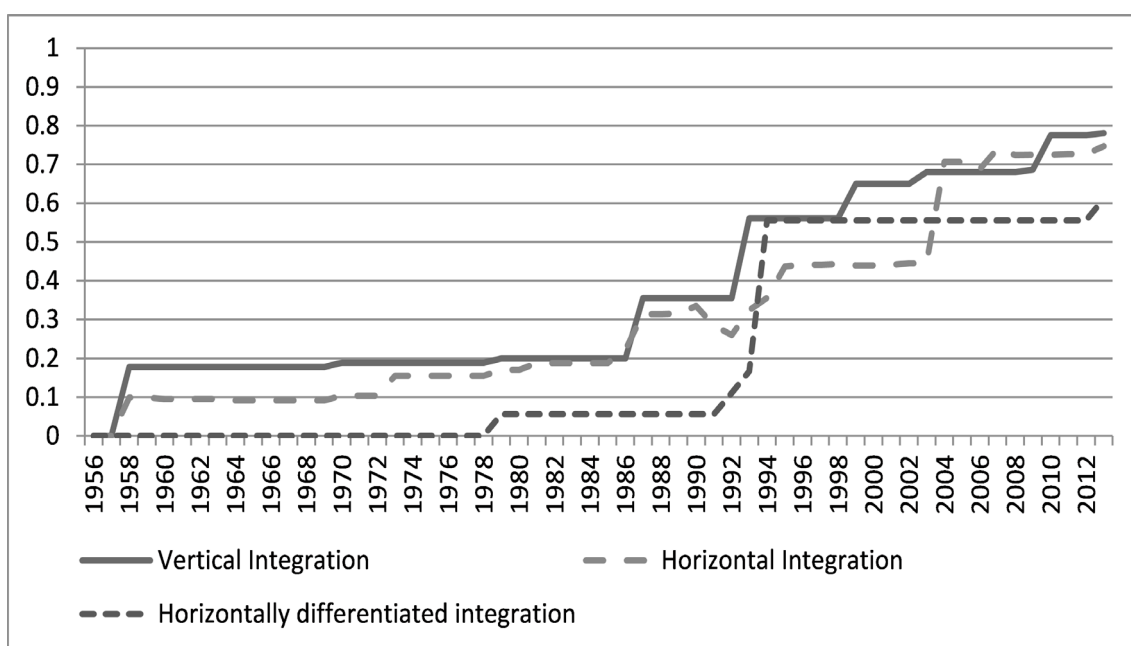
MAXCAP Working Paper No. 4 (Hatipoğlu et al. 2014) focuses specifically on the case of Turkey, which has consistently ranked near the bottom of public support in the old member states. First, it corroborates the two sources of support for enlargement among citizens: utility and identity. The research findings derived from factor analysis and multi-level regression analysis indicate that individuals who believe that Turkey belongs to Europe culturally and who believe that its EU membership will provide more benefits to the EU tend to be more in favor of accession. An inverse relationship exists between individuals’ belief that Turkey will benefit from EU membership and their support for Turkey’s accession. Public opinion in Central and Eastern Europe, however, is not influenced by cultural factors to such a high extent. On the contrary, new member states’ publics “do not seem to perceive Turkey’s accession as problematic due to cultural, historical or religious factors” (Hatipoğlu et al. 2014: 23). The most important country-level factor affecting the level of Turco-skepticism in a member state seems to be the level of Turkish migrants in its population. This finding is crucial as it shows increasingly xenophobic attitudes across EU member states, especially so for immigrants who are culturally and religiously different from the host populations. The ideological stance of the government amplifies the effect political ideology of individuals has on their belief about Turkey’s accession. The ideational concerns are further emphasized by political cues within the domestic political structures.

3.1.2 Institutional Reform and Deepening

In contrast to long-standing arguments about a general trade-off between enlargement and institutional reform or even a dilemma of deepening and widening, recent theoretical arguments as well as empirical research show a more optimistic or nuanced picture (Kelemen et al. 2014). In general, widening and deepening have gone hand in hand: “Widening has not only permitted deepening, it has in many ways encouraged it” (Kelemen et al. 2014: 660). Figure 4 shows the development of deepening and widening in combination: it measures vertical integration (the transfer and centralization of policy competences) and horizontal integration (the share of European countries participating at the highest level of integration) as the mean of 18 policy area scores (as defined in Börzel 2005) and standardized to range between 0 and 1.

However, Figure 4 also shows that the dynamic growth in integration has been accompanied by horizontal differentiation since the 1990s. Horizontal differentiation is measured as the share of policy areas with either internal or external differentiation. Internal differentiation occurs when member states do not participate in an integrated policy area, whereas external differentiation refers to the situation when non-member states do participate. Since the mid-1990s, more than half of the policy areas in our sample have been horizontally differentiated in one way or another.

Figure 4: Vertical integration, horizontal integration, and horizontal differentiation in the EU (Annual mean policy scores of 18 policy areas, 1956-2013)



Source: Schimmelfennig et al. 2015.

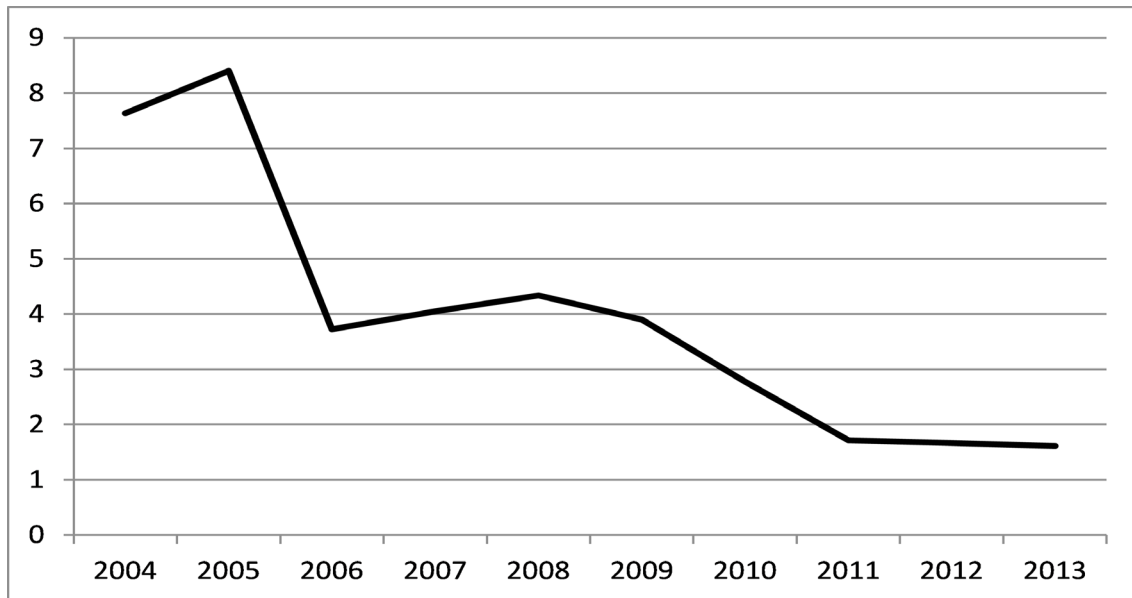
Enlargement has always been one of the major drivers of differentiation in European integration (Schimmelfennig/Winzen 2014). Each accession treaty contains transitional arrangements with derogations from the full and immediate validity of EU rules for the new member states. Normally, these arrangements are just that – transitional. The differentiation effect of each enlargement round has generally disappeared after less than ten years (Schimmelfennig/Winzen 2014). This is also visible in a more focused analysis of Eastern enlargement (Zhelyazkova et al. 2015). Overall, new member states have contributed on average 47 differentiation years to differentiated integration in primary law between 2004 and 2013. This is more than three times the contribution of old member states (15.6).³ This contribution has varied strongly over time, however. Figure 5 shows the new member states' share of differentiations in treaty law for the period from 2004 to 2013.⁴ In spite of slight increases in 2005 and 2007/2008, the overall trend is one of decline. Whereas in 2005, the relative share of new member states in treaty-based differentiations was

3 Averages weighted by number of new (12) and old member states (15).

4 The share is calculated by dividing the number of differentiations per new member states by the number of differentiations per old member state for each year.

more than eight times that of the old member states, by 2013 it dropped to 1.6. That is, new member states contribute on average only a little more to differentiated integration than the old member states. This is clear evidence of “normalization” and integration capacity. Moreover, more than half of the new members’ differentiations have been in areas in which old member states have differentiations, too. In 2013, only one third of the differentiations were in policy areas without differentiations for old member states.

Figure 5: New members’ relative share in treaty-based differentiations (2004-2013)



Source: EUDIFF1 and EUDIFF2

In sum, EU integration capacity has proven to be strong in the dimensions of institutional reform, deepening, and differentiated integration.

3.1.3 Policy-Making

The most encompassing issue of internal integration capacity is policy-making capacity. Policy-making capacity has two major dimensions: decision-making capacity and implementation capacity.

The preliminary result of the literature review of the impact of enlargement on decision-making is that enlargement has not ground to a halt the decision-making machinery of the EU; it has not crippled the potential to come up with new policies, and it has not imploded the conflict-solving capacity of the Union (Toshkov 2015). The predominant assessment is one of “business as usual” (Kloka-Kohnen 2013; Kelemen et al. 2014: 657). Empirical enquiries into the functioning of the EU after enlargement have found what is probably best described as gradual adaptation rather than complete transformation. The adaptation has been more far reaching in the Council and with regard to the negotiation mode, venues and culture rather than the output of the process as such.

Even if decision-making capacity as such may not have been fundamentally affected by enlargement, it may still be that the quality of legislative output has changed or even suffered, e.g. by replacing binding legislation with “soft law”. Our preliminary analysis (Zhelyazkova et al. 2015) shows, however, no strong evidence to suggest that the Union’s membership expansion has created difficulty for the EU to adopt binding legislation and thus shifted the EU focus to non-binding measures. While it is true that the overall share of soft law measures has increased over time, these instruments mainly complement existing EU Community instruments by informing and providing instructions about the application of EU law or about the activities of the Commission. By contrast, the number of steering instruments designed to substitute binding legislation has remained relatively low.

Our preliminary research into the compliance of new member states with EU law suggests that they generally outperform the older member states. Rather than creating compliance problems for the enlarged EU, infringement records suggest that most of the new member states are better integrated into the EU’s legal system than almost all old member states. Intermediary findings of the LSE team’s analysis to explain the differences between old and new member states suggest that two factors contribute to the better performance of the latter (and explain variation across the new members). First, while pro-EU government parties in the old member do not comply better than more Eurosceptic governments, they do in the new member states. A preliminary explanation is that in the latter, the experience of pre-accession monitoring created a perception of a link between good compliance and being a good member state, while in the old member state such a link is absent. Second, although administrative capacities – a key predictor of compliance in the old member states – are generally low in the new member states, a better predictor than general administrative capacities are the much more specific administrative capacities related to coordinating EU affairs. The new member states generally invested heavily in such specific capacities during the pre-accession period, with the help of the EU’s engagement in direct institution-building, and most of them have maintained them after accession (cf. also Bruszt/Vukov forthcoming).

The new member states’ infringement record may, however, conceal a decoupling between formal and practical compliance. Preliminary research by the ETHZ team shows that patterns of timely notification are not systematically related to the correctness and the application of domestic laws relative to the EU requirements. Although we observe that the Central and Eastern European member states excel in timely notification, there are no significant differences between the “old” and “new” member states with regard to their legal and practical conformity with the EU outputs. These findings are confirmed by the infringement database of the FUB team. At any rate, the Central and Eastern European enlargement does not seem to have increased the EU’s implementation deficit (Zhelyazkova et al. 2015).

To sum it up, our preliminary literature reviews and research findings concerning the EU’s internal integration capacity show a clear gap between public opinion and institutional practice. Whereas public opinion has become increasingly skeptical towards enlargement, the enlargements of the 2000s have not had a negative impact on the EU’s policy-making and institutional reform capacity and caused only a temporary increase in differentiated integration. As the data on the development of EU enlargement show, skeptical public opinion has so far not undermined the EU’s capacity to enlarge in practice but may well do so in the

future. Whereas citizens appear to be generally skeptical of the EU's preparedness to enlarge further, the variation in support for potential and prospective member states suggests, however, that the relevance of this assessment depends to a considerable extent on the preparedness of non-member countries to which we turn now.

3.2 *External Integration Capacity*

The overall measurement of external integration capacity is the subject of MAXCAP Working Paper No. 2 (Börzel 2014). Based on a variety of indicators for democratic quality and governance capacity, the analysis provides a differentiated picture. First, tracing political change in post-communist countries shows overall progress, which is more pronounced and less diverse with regard to democracy than governance capacity. Second, however, disparities in democratic quality and governance capacity still mark a rift between the "old" member states in Western Europe and the "new" member states, candidate countries, and neighbors in Eastern Europe. Several new member states have caught up with the EU-15 in terms of democracy but only Estonia's governance capacity ratings match those of the old member states.

Third, progress is uneven (Börzel 2014: 15-21). Most current new member states had already consolidated democracy when they obtained a membership perspective, and almost all of them had reached a rather high level of governance capacity. Only in Estonia, Latvia, Slovakia, and Romania, which all started well below the average of Central and Eastern European countries, do we see significant improvements in democratic quality until they joined the EU in 2004/2007. Moreover, there is evidence of backsliding after accession in Latvia, Romania, Bulgaria, and Hungary. Similar to the "late democratizers" among the new member states, the candidate countries of the Western Balkans and Turkey have seen substantial progress in democracy and moderate progress in governance capacity after the EU recognized them as potential candidate countries. However, only Croatia and Serbia appear to have been able to sustain the progress they have made, whereas others have recently shown a deterioration of democratic quality. By contrast, the Eastern Partnership countries, which only have a potential membership perspective, have not made any significant progress towards democracy but developed "hybrid regimes". Georgia, however, has increased its governance capacity strongly after 2005.

The persistent divide between East and West, the gradual backsliding of some new member states, the uncertain consolidation of democracy and governance capacity in most candidate countries, and the at best hybrid regimes in the Eastern neighborhood demonstrate the limits of external integration capacity. Whereas a credible accession perspective empowered domestic reform coalitions and improved the quality of democracy and governance in Eastern European non-member countries, the gap between old and new member states has proven difficult to close, and the positive changes introduced in the process have not been irreversible. In recent years, there is as much evidence for stagnation and reversals as there is for improvement in democracy and governance capacity.

During the second reporting period, the EUI, CEU and FUB teams will assess the EU external integration capacity with respect to developmental outcomes which we define along three key dimensions: expansion of

economic activity; industrial upgrading; and social upgrading. This will allow for comparative assessments of political and socio-economic effects of enlargement and help us to validate whether there is also a rift between “old” and “new” member states, candidates and neighbors with regard to their developmental pathways and their potential for technological upgrading. So far, our preliminary research suggests that the Central and Eastern European economies have managed to upgrade their production profiles and improve their position in the transnational value chains, but they have maintained peripheral levels of consumption. We will need to substantiate these claims both through qualitative research on the level of sectors and statistical econometric analysis.

In sum, our preliminary set of findings suggests that the public support component of internal integration capacity and the democracy and governance components of external integration capacity are problematic for the EU’s integration capacity – whereas the integration of new member states at the EU level has generally not impacted integration capacity negatively. We need to take into account, however, that this is not the general perception in the public. Rather, public skepticism regarding enlargement is often based on the belief that enlargement has weakened the EU’s internal capacity. So far, public opinion and weak external integration capacity have not had a visible impact on the gradual but steady progress of EU enlargement. Future repercussions are to be expected, however, especially because stagnating and decreasing external integration capacity is likely to feedback negatively into public opinion. If this expectation is correct, EU efforts to increase external integration capacity move center stage. Finally, an important component of external integration capacity is missing in our analysis at this point: public support in non-member and candidate countries cannot be taken for granted.

4. Strengthening External Integration Capacity: Modes of Integration

The analysis of the effectiveness of modes of integration and negotiation designs is a core research area of MAXCAP. Research in this area is ongoing; we can therefore only report preliminary findings. We distinguish modes of integration in the economic sphere and in the political sphere. Within each sphere, we focus on conditionality as the most relevant mode of integration in enlargement, research the conditions of its effectiveness, and compare it to alternative modes of integration.

4.1 Political Modes of Integration

Accession conditionality can be subdivided into political and acquis conditionality (Schimmelfennig/Sedelmeier 2005). In the 2004 enlargement, political conditionality mainly applied to the phase until the start of accession negotiations (except for a few remaining minority rights issues), whereas the accession negotiations were dominated by the more technical acquis conditionality. Given the weaker democratic consolidation in the current candidates for membership, both dimensions of conditionality tend to mix during the accession negotiations. A comparative analysis by the SU team of accession negotiations with Bulgaria and Turkey suggests that political conditionality trumps acquis conditionality. Although Turkey has shown greater ability to comply with the technical aspects of the acquis than Bulgaria, it has been subject

to constant vetoes and benchmarks. By contrast, Bulgaria has been ranked consistently higher with regard to political, social and civic rights and liberties (except for electoral processes). This has mixed implications for the credibility of the EU as a negotiation partner. Whereas it strengthens political conditionality, it may undermine compliance with the technical rules of the EU.

Once countries have joined the EU, the main concern regarding political integration is the prevention or correction of backsliding. Preliminary results of the LSE team's analysis of the EU's ability to redress a deterioration of liberal democratic standards in (new) member states suggest that the EU's ability to use the threat of the sanctions of Art. 7 Treaty on European Union (TEU) depends on a combination of different partisan dynamics. European Parliament political groups (and member state government parties) tended to support the use of sanctions if they are strongly committed to liberal democracy (as reflected in a Green/Alternative/Libertarian orientation) or, when they did not have such a strong commitment, if the sanctions were targeted at a government party that is an ideological (left/right) rival. In the absence of using Art. 7, the EU attempts to redress democratic backsliding was still successful when the EU could use both alternative material pressure and found domestic conditions that were favorable to the use of social pressure and shaming (Sedelmeier 2014).

A new and special mechanism by which the EU has not only tried to prevent backsliding but also to deal with "leftovers" from the accession process is the Cooperation and Verification Mechanism (CVM) applied to Bulgaria and Romania. Preliminary research findings suggest that the EU's focus on procedural requirements and assessments has not managed to address the fundamental underlying causes hindering reform in some key areas such as rule of law and judicial reform. Problems in these areas were rooted in fundamental political economy and social relationships. The EU's procedural approach, targeting the executives and focusing on formal versus behavioral change, has led to a certain lack of responsibility and responsiveness of Bulgarian governments, especially after Bulgaria's support for EU foreign policy actions in Serbia and Kosovo gave its candidacy a boost in other areas. After accession, weaknesses of the CVM have been identified, which have to do both with its focus on partnership with governments and its targeting of formal laws or high level cases of corruption.

After the 2007 enlargement, the rule of law has become a priority area of strengthening external integration capacity. The review of existing literature undertaken by the LSE team revealed, however, that the EU does not have a 'hard acquis' in the chapters related to the rule of law – Chapters 23 and 24 – since there is significant variation across member states in this policy area. Without a consensus across the EU, the objectives of their policies, particularly at the pre-negotiation stage, are often unclear and diffuse. This can lead to unintended consequences of conditionality and other interventions by the EU and its member states, especially in constitutional reforms during the Eastern enlargement. There are many examples of such unintended and unforeseen consequences of EU instruments related to the rule of law in the Western Balkans and Turkey.

The experience from the Western Balkans shows that, irrespective of the pace and statuses of association or accession, gaps exist between institutions on paper and practices on the ground. In fact, there is a

significant amount of back-sliding which points towards the limits of the EU to foster sustainable judicial reforms. Indeed, the EU seems to have a tendency to over-emphasize judicial independence without concomitant reforms in checks and balances between the executive, legislature, and judiciary. This has resulted in unchecked “judicial supremacy” as in Romania and other post-socialist EU member states. The complex interdependence between seemingly unconnected objectives, particularly the facilitation of often imperceptible corruption channels and legitimation of practices via ‘Europeanized’ institutions, provides a challenge for the EU in the design and implementation of its conditionality and other strategies designed to improve judicial independence in the Western Balkans and Turkey.

The preliminary research points to major problems in the use of conditionality to correct for a lack of external integration capacity of non-member or new member states. First, shortcomings in political change and democratic consolidation that are not redressed ahead of the start of accession negotiations interfere with *acquis* conditionality. Second, partisan politics and weak normative consensus thwarted post-accession sanctioning of backsliding new member states. Third, the absence of a hard *acquis* and consensus among member states as well as unintended consequences undermined sustained effects of rule of law conditionality.

4.2 *Economic Modes of Integration*

As regards the economic sphere, joint research pursued by the EUI, CEU and FUB teams shows that different modes of integration seem to create different configurations of development opportunities and obstacles, and empower different groups of actors. This does not, however, mean that the outcomes are homogenous within the groups of countries that belong to each mode of integration. “Deep” integration, comprising strict conditionality, early trade integration and comprehensive regulatory alignment produced the most homogenous outcomes, favoring transfer of production and technology through the networks of European multinational firms. The result was rapid expansion and industrial upgrading in both countries under consideration (Poland and Romania) that was largely driven by foreign demand and excluded participation of local firms. Technological and social development is, however, lagging behind. Under conditions of “semi-deep” (Southern Europe) and “lite” integration modes (Turkey/Ukraine), which involve selective or more gradual market and regulatory integration and softer conditionality, there was more scope for domestic agency, but also more room for error. Where domestic actors were strong and could take advantage of the more gradual liberalization process, the result is a more promising path of development with potential for greater technological upgrading. However, where the domestic actors were weak, upgrading was less pronounced and/or more volatile. These preliminary findings suggest that a distinction can be made between a Southern mode of integration (referring to the countries of the Southern enlargement of the 1980s) and an Eastern mode (for the new member states). While the Southern mode of integration relied primarily on ex post sanctioning of non-compliance, in Eastern Europe the EU has engaged in direct institution-building based on ex ante detailed institutional conditionality as well as pre-accession assistance programs embedding domestic policy makers in transnational networks (Bruszt/Vukov 2015).

More precisely, in the context of Eastern enlargement the EU was at least as concerned with removing obstacles from implementing the rules of the regional markets on the ground as with the possibility that the successful imposition of EU rules could have deleterious developmental effects in the would be member states and the EU insiders. Besides maintaining and perfecting the elaborate mechanisms governing rule transfer, the EU has also made considerable progress in building transnational institutions to manage the second order governance problems of integration aimed at anticipating and alleviating the potential large-scale negative developmental externalities of rule transfer. The challenges of second order governance differ from the ones encountered by the EU during simple rule transfer when the goals to be attained could be clearly defined and the Commission had to focus primarily on perfecting the means to attain these goals. The key dilemma for the second order governance is that the Commission could have very limited ex ante knowledge both about the more specific goals and the means of creating (a) a functioning market economy that (b) plays by EU rules worked out by the strongest economies of the continent, and (c) has the capacity to withstand competitive pressure in the European market (Bruszt/Langbein 2014).

To be sure, the EU has formulated developmental goals during the Eastern enlargement solely negatively to anticipate and alleviate negative externalities of market integration. However, the EU has not formulated concrete developmental goals, social or industrial policies that the new member states have to reach or benchmarks to prevent social or economic exclusion. Still, our cautious assumption is that up until accession, the mode of governing the integration of less developed economies of the East has worked, at least much better than the mode of integration of the Southern peripheries. The major problem we see drawing on the East-South comparison is that the governance problems linked to imposing the same rules and policies on economies at different levels of development stay even after the accession but the EU has only very limited tools to anticipate and alleviate them in the post-accession period (Bruszt/Langbein 2014; Bruszt/Vukov 2015).

In sum, our comparative research on the Southern and Eastern enlargements suggests that pre-accession modes of economic integration have had an effect on how these economies became integrated into transnational value chains resulting in different developmental pathways. However, post-accession modes of economic integration aimed at further mitigating competitive asymmetries within the Internal Market suffer from weak effectiveness. Insofar, economic and political modes of integration appear to be similar.

5. Conclusions

Five general conclusions can be drawn from the initial research findings of MAXCAP.

- The process of institutional EU enlargement has progressed slowly but steadily. Notwithstanding strong annual fluctuations, new members have generally been able to integrate further, e.g. in the Euro and Schengen areas, and non-members have moved closer to membership or deepened their integration with the EU incrementally.

- Enlargement has not thwarted the institutional reform of the EU; nor has it disrupted the EU's capacity to make decisions, agree on binding rules, and implement them effectively. At the institutional level, the EU appears to have been capable of absorbing the intake of a large number of new member states.
- In spite of the smooth institutional transition, public opinion has become increasingly skeptical of and opposed to further enlargement according to available survey research. In the public perception, internal integration capacity has indeed suffered from enlargement. The strong variation in support across individual non-member countries suggests, however, that the level of "modernization" (economic development, democracy, and governance capacity) of candidate countries plays a strong role (cf. Delhey 2007 for the effect of modernization on trust in other EU member states). These preliminary findings need to be compared to current research on discourses in MAXCAP, which suggests that the distinction between support and opposition towards enlargement is oversimplified.
- However, the level of external integration capacity (roughly equivalent to their modernization) of the remaining candidates for membership, and the effect the EU has on improving external integration capacity, appear to be dwindling. The gap between new and old member states in terms of democratic quality and governance capacity has proven difficult to close. Stagnation and backsliding are characteristic of recent developments in some new member states in the post-accession period as well as in most candidate and partnership countries of Eastern Europe. In terms of economic development, the Eastern economies have managed to upgrade their production profiles and improve their position in the transnational value chains. However, they have maintained peripheral levels of consumption.
- Evidence on the limits of external integration capacity is supported by preliminary findings on pre- and post-accession modes of integration. They suggest that weaknesses of democratic quality and governance capacity are difficult to redress in accession negotiations and post-accession conditionality mechanisms and other anti-backsliding measures. At the same time, EU modes of economic integration have contributed to economic upgrading of Eastern economies in the pre-accession period. However, the EU falls short of post-accession modes of integration to mitigate competitive asymmetries. This shortcoming can potentially result in economic nationalism (as it is the case in Hungary).

The initial findings of MAXCAP further point to three interesting puzzles for the study of enlargement. First, why have the deterioration of public support and external governance capacity not had a visible impact on the development of enlargement? This first puzzle points to political and institutional mechanisms that shield enlargement policy from public opinion and discourses and maintain the momentum of horizontal integration. Such mechanisms require further examination. Second, how has the EU been able to maintain its internal integration capacity? As for decision-making, the new member states appear to have played a quite passive role, joining established member state groupings and coalitions rather than forming a bloc on their own with distinct preferences (Kloka-Kohnen 2013). Regarding implementation capacity, research of the MAXCAP team (see above) suggests that socialization and institutional effects of the accession period, which isolated compliance with EU rules from general domestic governance, were carried over into the post-accession period. Third, why has the EU lost the subtlety with which it governed economic integration

in the pre-accession period during the Eastern enlargement in the post-accession period? Research of the MAXCAP team suggests that the EU has managed to integrate the Central and Eastern European economies in a rather inexpensive way in the EU Internal Market. The EU, however, lacks mechanisms to manage interdependencies in a positive way between its core and its Eastern periphery in the post-accession period.

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“Maximizing the integration capacity of the European Union: Lessons of and prospects for enlargement and beyond”

The ‘big bang enlargement’ of the European Union (EU) has nurtured vivid debates among both academics and practitioners about the consequences of ‘an ever larger Union’ for the EU’s integration capacity. The research project MAXCAP will start with a critical analysis of the effects of the 2004-2007 enlargement on stability, democracy and prosperity of candidate countries, on the one hand, and the EU’s institutions, on the other. We will then investigate how the EU can maximize its integration capacity for current and future enlargements. Featuring a nine-partner consortium of academic, policy, dissemination and management excellence, MAXCAP will create new and strengthen existing links within and between the academic and the policy world on matters relating to the current and future enlargement of the EU.