Graded membership in the European Union: good governance and differentiated integration

Schimmelfennig, Frank

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Good Governance and Differentiated Integration

Frank Schimmelfennig

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Freie Universität Berlin
Kolleg-Forschergruppe
"The Transformative Power of Europe:
The European Union and the Diffusion of Ideas"
Ihnestr. 26
14195 Berlin
Germany
Phone: +49 (0)30- 838 57033
Fax: +49 (0)30- 838 57096
transform-europe@fu-berlin.de
www.transformeurope.eu

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Graded Membership in the European Union:

Good Goveranance and Differentiated Integration

Frank Schimmelfennig

Abstract

The study of European integration has traditionally focused on organizational growth: the deepening and widening of the European Union (EU). By contrast, this article analyzes organizational differentiation, a process in which states refuse, or are being refused, full integration but find value in establishing in-between grades of membership. It describes how the EU's system of graded membership has developed, and it explains the positioning of states in this system. The core countries of the EU set a standard of good governance. The closer European countries are to this standard, the closer their membership grade is to the core. Some countries fall short of this standard and are refused further integration by the core: their membership grade increases with better governance. Other countries refuse further integration because they outperform the standards of the core countries: their membership grade decreases as governance improves. These conjectures are corroborated in a panel analysis of European countries.

The Author

Frank Schimmelfennig is Professor of European politics at ETH Zürich and member of the Center for Comparative and International Studies. He received his M.A. degree in political science and history (1989), a PhD in political science (1995) from the University of Tübingen and obtained his habilitation in political science at Darmstadt University of Technology (2001). Before joining ETH Zürich in 2005, he was a fellow of the Mannheim Center for European Social Research. His main research interests are in the theory of European integration, in particular EU enlargement, democracy promotion, democratization, and differentiated integration.

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1. Introduction[1]

In the course of its history, the European Union (EU)[2] has acquired competences in almost all areas of public policy and has transferred powers of the member states to supranational institutions. In addition, its membership has expanded from six to 28 countries. These developments in European integration – often dubbed “deepening” and “widening” – have been theorized and analyzed extensively in the literature on European integration. In other words, research on the dynamics of European integration has overwhelmingly dealt with the functional, authority, and territorial growth of the EU as an organization. The same is true for the comparative literature on international and regional organizations: the conceptualization and measurements of institutional design has focused on the level of authority and the policy scope of international organizations (Koremenos et al. 2001; Acharya/Johnston 2007; Hooghe/Marks 2015; Haftel 2013).

This paper takes a different perspective. First, it starts from the fact that the deepening and widening of the EU has been accompanied by a process of differentiation. As the competences and the membership of the EU have grown, European integration has become less uniform. Whereas initially the integrated policies applied to *all* member states and to member states *only*, the congruence of membership and policy integration has become increasingly blurred. Today member states do not participate in EU policies such as monetary union or the Schengen area of abolished internal border controls, and the EU routinely excludes new member states from immediate participation in these two areas of integration. On the other hand, nonmember states participate in the EU’s customs union (Turkey), internal market (Iceland and Norway), or Schengen area, and they conclude trade, partnership, or association agreements. Adequate accounts of the dynamics of European integration need to move beyond the exclusive focus on deepening and widening and include differentiation as a core feature of the European integration process.

Second, the paper takes a regional rather than a strictly organizational perspective. In the course of time, the EU has cast a net of varied institutional relationships across the region of Europe. An increasing number of countries have concluded broad formal agreements with the EU, which define the range and intensity of their cooperation and integration. No European country is currently without such an agreement. [3] Taking the two perspectives together, this paper examines the EU as a differentially integrated regional system.

Whereas differentiated integration has been an important topic of policy debate in the EU for a long time, systematic theory-based analysis has been rare until recently (Holzinger/Schimmelfennig 2012). Metaphorical taxonomies abound. For instance, “multi-speed Europe,” “core Europe,” “variable geometry,”

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1 My work on this paper has benefited from a fellowship at the KFG “The Transformative Power of Europe” (FU Berlin), directed by Tanja Börzel and Thomas Risse. For helpful comments, I also thank Michael Bechtel, Jørgen Bølstad, James Cross, Tina Freyburg, Thomas Winzen, Arndt Wonka, and audiences at the Universities of Bremen, Dublin (UCD), ETH Zurich, St. Gallen, Tübingen as well as the European Union Studies Association (EUSA), Political Economy of International Organizations (PEIO), and Swiss Political Science Association (SPSA) conventions. A shorter and revised version of the paper will be published in the European Journal of Political Research.

2 Throughout the paper, references to the EU include its predecessor organizations, the European Communities.

3 Kosovo, a new and not universally recognized country, is currently negotiating an association agreement. The Partnership and Cooperation Agreement with Belarus has not been ratified because of the political situation in the country.

and "Europe à la carte" have long entered scholarly and political discourse (Stubb 1996). In addition, the literature has emphasized the EU's "fuzzy borders" (Christiansen et al. 2000) and its formation of "concentric circles" of external governance (Lavenex 2011). Recent descriptions of the EU as an "empire" are consistent with the idea of graded membership and fuzzy, flexible borders – common features of empires – but focus on authority relations (Beck/Grande 2007; Marks 2012; Zielonka 2006). Moreover, the concept of empire comes with problematic historical connotations. In line with Schmitter's concept of "condominio" (1996: 136), Leuffen et al. (2013) introduce the term "system of differentiated integration," which describes both variable membership and variable centralization of integrated policies.

Existing comparative analyses have focused on differentiation either among EU member states or candidates for EU accession. They have put forward a great variety of explanations for the differentiated integration of these sub-groups, including wealth and growth (Mattli 1999), economic lead sectors (Ingebritsen 2000), distributional conflict (Plümper/Schneider 2007; Schneider 2009), democracy (Schimmelfennig 2003), national identity (Gstöhl 2002), and policy type (Kölliker 2001; 2006). More recently, Schimmelfennig and Winzen (2014) defined scope conditions for these factors: whereas wealth differentials drive differentiated integration in the context of enlargement, national identities and the integration of core state powers explain differentiation in the context of treaty revisions.

This paper seeks to advance the state of the art in two ways. First, it moves beyond the division in the literature focusing either on differentiation within the EU or differentiation in the EU's relations with nonmembers by providing an analysis of differentiated membership cross-cutting the formal organizational borders of the EU. I contend that the same factors and mechanisms explain differentiated membership among members and nonmembers. Second, the paper moves beyond typological description by putting forward and systematically testing a theory-based explanation of differentiated membership.

In a nutshell, I argue that graded membership is an – often unintended – outcome of international disagreement about proposals to deepen or widen European integration. Two types of disagreement can be distinguished: whereas some states refuse (further) integration, others are refused by the core of the EU. Where states are located in the EU's system of graded membership depends on the point at which they refuse to integrate further or at which they are blocked from further integration. New grades of membership are introduced if states refuse further integration in the current structure of membership but agree that further differentiation is preferable to the status quo.

I start from the assumption that states seek to improve, and to avoid losses in, governance quality and capacity when making decisions about regional integration. The "refusers" and the "refused" constitute two distinct groups of countries that relate differently to the standard of governance in the European integration set, represented by the core EU member states. In the EU, this standard has two major dimensions: liberal democracy and governance capacity. Whereas the refusers outperform the core's standard of good governance, the refused countries fall short of it. Both overfulfillment and underfulfillment produce governance concerns. States that outperform the core are concerned that integration will harm domestic governance capacity and weaken national democracy. The better these countries are governed, the earlier in the process they refuse to integrate further and the lower their membership status remains. Similarly, core countries fear that the integration of underperforming countries will dilute the EU's governance standard and produce problems of policy-making and policy implementation. The more that the refused states consolidate democratically and improve their governance capacity, the further they are permitted to move towards full membership. As a consequence, countries may have the same membership grade for opposite reasons. They may be better governed than the core countries (and refuse to integrate further), or they may be less well-governed than the core (and be refused to integrate further).

In the next section, I develop this theoretical argument in more detail. I then describe how the EU's system of graded membership has developed over time. Subsequently, I present a panel analysis, which tests the effect of good governance on the graded EU membership of European countries since the mid-1990s, controlling for alternative explanations.

2. Theorizing Graded Membership

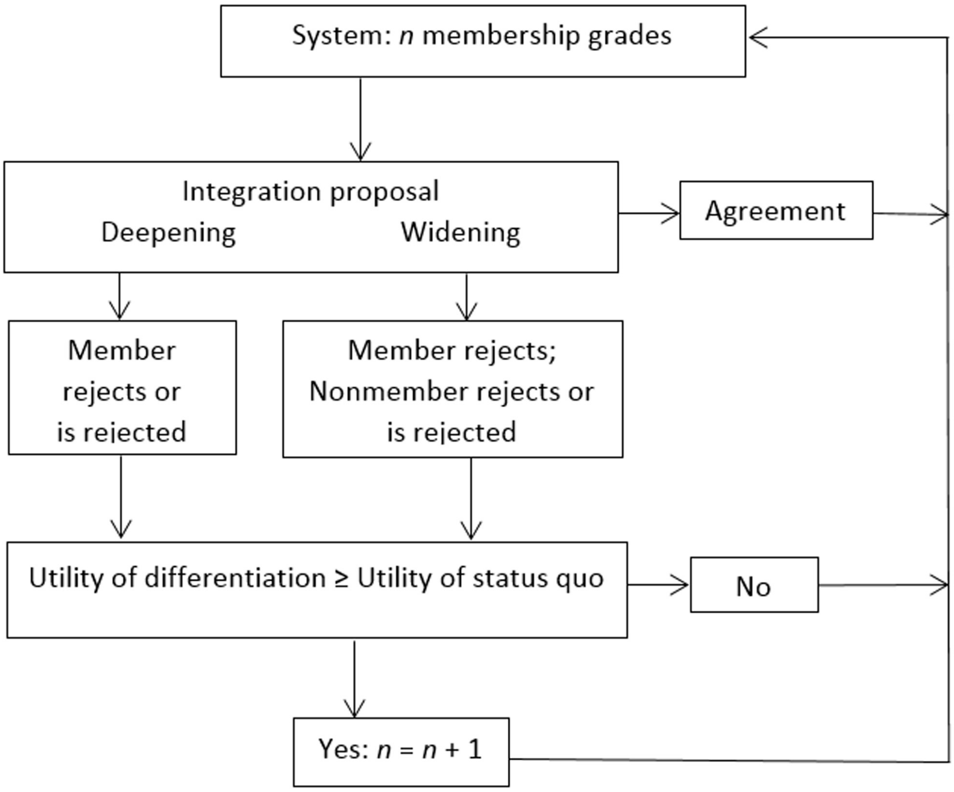
Why and how do international organizations establish differentiated systems of membership and why do countries find themselves in different grades of membership? I start with a simple model of differentiation. On the basis of this model, I hypothesize under which conditions the membership structure changes and which factors determine the position and movement of a country in this structure.

2.1 A Model of Differentiation

I assume that differentiated membership emerges from a sequence of decisions on the deepening and widening of an organization (see Figure 1). It is an emergent phenomenon in the sense that differentiation is often not the outcome intended by the actor proposing to integrate policies or countries further – and not even part of the set of outcomes on which the actors initially negotiate. Rather, it comes up as an option during the negotiations or after their failure. The major deepening and widening decisions of the EU come in the form of new treaties or the revision of existing treaties; they therefore require unanimous intergovernmental agreement and domestic ratification. Deepening needs the consent of all member states; widening requires the agreement of both - the existing member states and the prospective new member.

Let us start with a typical binary organization, which has two membership grades (*n*=2): members and non-members. A state or a group of states makes a proposal to deepen its competences or to widen its membership. If all states have compatible preferences, there is no demand for differentiation and the outcome is uniform further deepening – or full membership in the case of widening. If the proposal is controversial, however, veto threats arise. States may refuse or be refused (further) integration. When a proposal for deepening is made, a member state may refuse to participate in the deepened organization – or it may be precluded from doing so by the other member states. Likewise, nonmember states may decline membership in, or be declined membership by, the organization. If differentiated integration is not an option, the outcome is the status quo: no deepening or widening.

Figure 1: A Model of Differentiation



Source: Author.

Differentiated integration provides an alternative to the stark choice between the status quo on the one hand, and full membership or uniform integration on the other. In the case of deepening, it allows member states desiring more integration to move ahead while those opposed to or unfit for further integration can remain behind for the time being. In the case of widening, states that do not wish to become full members can ask for a lower grade of membership that allows for some participation in the integrated policies short of full integration. Conversely, member states opposed to widening can offer the nonmember some form of association below full membership.

If the supporters or opponents of deepening or widening prefer the status quo to differentiated membership, the status quo is reaffirmed and no differentiation is established. They may be concerned, for instance, about free-riding, discrimination, or high transaction costs from creating an additional grade of membership (Kölliker 2001). By contrast, if the supporters of integration find that differentiated integration will provide them higher utility than the status quo, and if the opponents are at least indifferent, they agree on creating a new membership grade.

In the following round of integration, the actors play the same widening and deepening game again – except that they have one more outcome option: differentiated membership. This additional option should make it easier to accommodate heterogeneous integration preferences and reach agreement on integration. Otherwise, the actors create another grade of membership if they prefer differentiation to the status quo. The system will be increasingly differentiated until it provides for levels of membership that can accommodate any constellation of integration preferences that may arise when a new proposal for deepening or widening is made. I therefore assume that a new grade of membership is established if states (i) do not agree on the placement of a state in the existing system of graded membership and (ii) prefer the creation of a new grade to the status quo.

2.2 Explaining State Positions in a System of Graded Membership

How do states arrive at their positions in a system of graded membership? Again, the starting point for negotiations on (graded) membership is a proposal to widen or deepen the organization. Widening starts with a state that does not have any institutionalized relationship with the EU. This state makes a request to the organization to upgrade its membership status, or it may be invited to join. If the organization rejects the request, or the state rejects the invitation, the upgrade fails. If both agree, the state moves to a higher level of membership, and this process is repeated until the state joins the core, or until the organization or the state rejects further integration. Deepening concerns only the formal member states of the organization. When a proposal is made to deepen the organization, each member state decides whether it wants to go along or opt out – and the states proposing the deepening decide whether they want other members in or out.

To explain why states move up levels of membership and why they reject or are rejected further integration at some point, I start from the assumption that organizations have a standard of good governance. Good governance standards prescribe how the policies of an organization ought to be made and implemented. In the EU as a multi-level organization, good governance standards refer to both the European level and the member states. These standards can be inferred from the general provisions of the Treaty on European Union and the more specific membership and accession criteria of the EU.

The key provision is the first sentence of Article 2: "The Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities." These principles of liberal democracy apply both to the Union and its member states. The Union not only "recognizes the rights, freedoms and principles set out" in its own Charter of Fundamental Rights (Art. 6.1), but also accepts the liberal-democratic rights catalogue of the European Convention for the Protection of Human Rights and Fundamental Freedoms as "general principles of the Union's law" (Art. 6.2). The Provisions on Democratic Principles further stipulate, among other things, that the "functioning of the Union shall be founded on representative democracy" (Art. 10.1). As regards membership, the Treaty specifies that any "European state" respecting the values of liberal democracy "may apply" (Art. 49). States found to be in "serious and persistent breach" of these values may be deprived of certain rights of membership, including their voting rights (Art. 7.2 and 7.3).

Another set of EU good governance standards refers to the multi-level nature of the Union. Whereas the Treaty commits its member states to "creating an ever closer union" on which they "confer competences to attain objectives they have in common" (Art. 1), the member states shall in turn "take any appropriate measure […] to ensure fulfillment of the obligations arising out of the Treaties or resulting from the acts of the institutions of the Union" (Art. 4.3). In spite of being a comparatively centralized international organization, the EU has weak administrative and fiscal capacity in relation to its member states and relies on them to implement the policies it makes. In its list of official accession criteria, also known as the "Copenhagen criteria", the EU therefore not only requires states to respect the values and norms of liberal democracy but also to develop a "functioning market economy" and the "ability to take on the obligations of membership" by bringing their national legislation in line with EU rules and obtaining "the administrative and institutional capacity to effectively implement" them.[4] In short, the EU's standard of good governance combines liberal democracy and governance capacity. By contrast, the EU's standard does not comprise any economic (wealth or growth), cultural (religious), or geographic criteria (beyond being a "European state").

I do not claim that European states participating in European integration necessarily seek to promote or attain good governance for its own sake. It is plausible to assume that they are primarily motivated by geopolitical or economic goals (Moravcsik 1998). They take into consideration, however, how the governance quality of other European states affects the attainment of these goals and how their own domestic governance quality is affected by European integration.

The more a European state's political regime and governance capacity are aligned with the standards of the EU, the higher its membership grade is likely to be. The full members at the core of the EU – its founding members, originally – define the EU's standard of good governance. They set the benchmark of liberal democracy and governance capacity for the other states of the region. Other European states deviate from the standard in two directions causing them to either refuse or be refused full integration.

The refusers are characterized by better governance: they outperform the core on governance capacity and democratic quality. Because such countries would strengthen the EU's democratic standards and governance capacity, the core would welcome them as full members. Yet they have both the reasons and the means to decline full membership. High-quality domestic governance makes elites and citizens skeptical of, and/or reduces their need for European integration. The larger the gap between domestic governance and core EU governance, the earlier in the process states refuse to integrate further.

Governments and societies in countries with high-quality domestic governance have comparatively weak incentives to engage in European integration but reasons to fear that integration will reduce their democratic quality and governance capacity. Survey research shows that living in a good-governance country decreases trust in European institutions (Arnold et al. 2012; Muñoz et al. 2011). Support for integration is weaker in countries with lower levels of corruption and more generous welfare states (Sánchez-Cuenca 2000).

Concerns about sovereignty and democracy are common to all refuser countries and cut across the left-right divide of Euro-skeptic parties, which have otherwise different motivations for opposing (full) EU membership (Skinner 2013). This commonality is generally attributed to the "well-functioning democratic structures" (Skinner 2013: 135) and "successful political legacy" (Theiler 2004: 640) of these countries.

4 See, e.g., the European Commission's definition of the accession criteria, available at: http://ec.europa.eu/enlargement/policy/glossary/terms/accession-criteria_en.htm; last accessed 29 March 2016.

Political Euro-skepticism was already dominant in the 1992 Danish referendum on Maastricht (Siune/Svensson 1993) and is a key component of the 2016 Brexit campaign against the "permanent supremacy of EU law" and the "undemocratic, inflexible EU bureaucracy."[5] Swiss Euro-skepticism is strongly driven by the perceived threat of European integration to the political institutions and traditions of direct democracy, neutrality, and federalism, which constitute the core of Switzerland's civic identity (Theiler 2004).

Moreover, regional integration entails that national institutions and administrations become intertwined and interdependent. Member states with low governance capacity may be slow and ineffective in implementing common policies (Tallberg 2002: 613). Corruption and unequal implementation undermine the level playing field the EU seeks to create. Elites and citizens in countries with high governance capacity therefore have reason to fear that integration with lower-capacity countries will reduce domestic governance capacity and the competitiveness of national firms. These considerations lead to two hypotheses about which countries will become refusers and how integrated they will be.

H1a: Countries with better governance than the EU core are likely to refuse full integration.

H1b: The membership grade of refusing countries is likely to decrease as their governance improves.

Conversely, the refused countries are characterized by worse governance: they fall short of the core's standards of liberal democracy and governance capacity. These countries are interested in further integration for political and material reasons. They seek access to the EU market and to EU funding; they expect integration to strengthen their domestic governance capacity; and they strive for the regional international recognition that a higher EU membership grade brings with it (Schimmelfennig 2003: 52-55). Pro-democratic groups and actors also seek more integration in order to subject the state to the EU's political conditionality (Vachudova 2005).

The core fears, however, that the integration of worse-governance countries will dilute its standards of liberal democracy and weaken the Union's policy-making capacity. EU citizens place more trust in democratic and well-governed countries (Delhey 2007). The core has the institutional power to refuse these countries further integration, and it will do so the earlier, the less democratic they are and the lower their governance capacity is. In order to move towards the core, the refused countries need to democratize or improve their democratic quality, and they need to strengthen their governance capacity (Mattli/Plümper 2002). This is the main objective of the EU's conditionality policy towards non-members in general; in its current enlargement strategy, the EU prioritizes the rule of law in particular. The corresponding hypotheses about the refused countries read:

H2a: Countries with worse governance than the EU core are likely to be refused full integration.

H2b: The membership grade of refused countries is likely to increase as their governance improves.

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5 See the website of the "Vote Leave" campaigne: http://www.voteleavetakecontrol.org/our_case; last accessed 29 March 2016.

These hypotheses imply that governance quality affects both the refusers and the refused but does so in opposite directions. As initially poorly governed countries become more democratic and acquire higher governance capacity, their position in the system of graded membership moves closer to the core. As well-governed countries become more democratic and better governed, however, their position moves outward from the core. As a result, countries can be located at the same level of membership for very different reasons – either because they are better-governed or worse-governed than the core countries. Finally, the hypotheses should also hold in the opposite direction: as governance deteriorates, refused countries should be relegated to a lower status, whereas refuser countries should seek more integration with the EU.

2.3 Alternative Explanations

As pointed out in the introduction, a great variety of alternative explanations have been advanced in the literature to account for (graded) membership in the EU. They emphasize wealth, cultural and political legacies, identity, and neutrality. These factors do not only point to alternative explanations; some also qualify as potential causes of both good governance and membership, thereby rendering the association between governance and membership spurious. These alternative explanations need to be controlled for in the analysis.

Wealth is arguably the most important alternative explanation to good governance for the position of countries in the EU system of graded membership. Although it is not part of the official membership criteria of the EU, it features prominently in all public debates about EU membership. In Walter Mattli's (1999) account of regional integration, the economic (rather than governance) performance gap is the main motivation for governments to participate. Poor countries can be assumed to seek integration in order to gain access to the EU market and EU subsidies, attract foreign investment, and improve their competitiveness; at the same time, they encounter resistance because they would become net beneficiaries of the EU budget, exacerbate competition for EU subsidies, and increase migratory pressure on the wealthier member states (Plümper/Schneider 2007; Schimmelfennig/Winzen 2014). Accordingly, the lower a country's wealth, the lower the grade of membership at which it will be refused further integration. Conversely, wealthy countries are reluctant to integrate for fear of regional redistribution. In addition, they can afford to refuse integration and preserve their national sovereignty and policy-making autonomy. Finally, wealth is known to facilitate and stabilize democracy (e.g. Lipset 1959; Przeworski et al. 2000) and domestic governance capacity.

Cultural and political legacies are another set of potential influences on both good governance and EU membership. First, Europe has traditionally been defined against some "Eastern other" (Neumann 1999) such as Orthodox Christianity, Islam, or Soviet communism. States with such cultural backgrounds are thus more likely to be refused (higher grades of) membership. Conversely, it has been observed that refuser countries often have a Protestant cultural background (Theiler 2004). This may be a negative reaction to the predominantly Catholic founding members of the EU or reflect the association of Protestantism with good governance (Licht et al. 2007). *Geography* is closely linked to culture as Protestant countries cluster in

North-West Europe, whereas Orthodox, Muslim, and former communist countries are located in the East. In addition, however, geographical proximity generally increases positive and negative interdependence as well as familiarity. For both reasons, the closer that a country is to the core, the more likely is the mutual interest of the country and the EU in closer integration. In addition, geographical proximity facilitates the diffusion of governance standards.

National identity constitutes a further explanation of graded membership. Exclusive national identities reduce support for European integration (Carey 2002; Hooghe/Marks 2005) and increase the likelihood that member states opt out from EU treaty revisions (Schimmelfennig/Winzen 2014). States with highly exclusive national identities are thus more likely to refuse integration. In addition, they may be regarded skeptically by the core members and blocked from full integration.

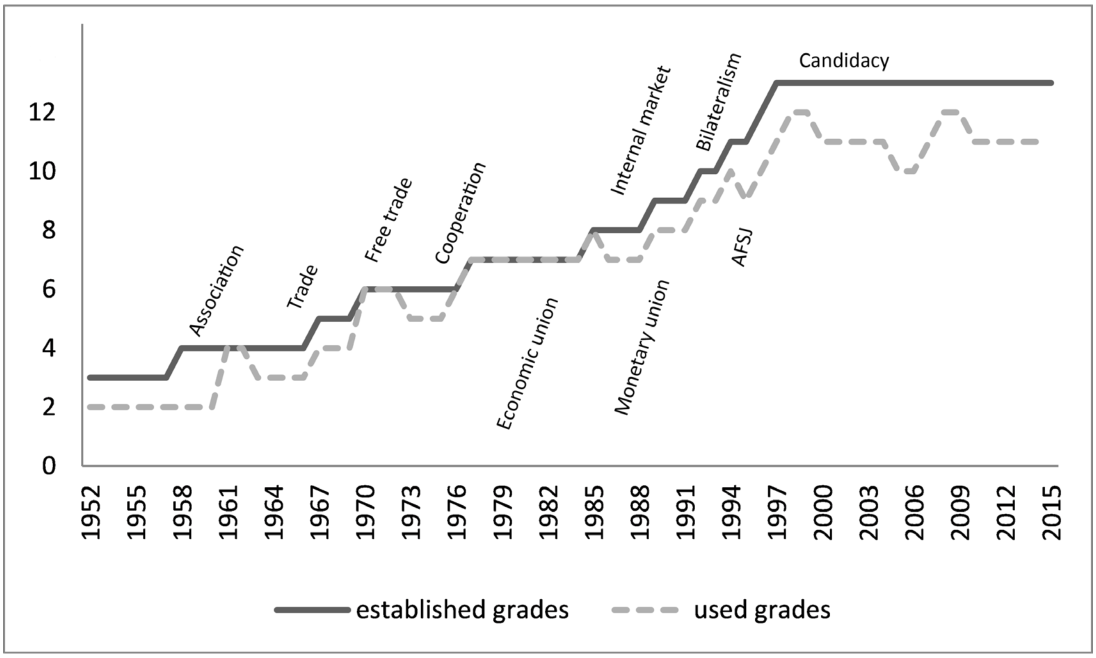
Other explanations of differentiated integration are situated at the policy level. Kölliker (2001, 2006) attributes the durability of differentiation to the collective goods properties of the policies in question: excludable goods with non-rival consumption create the strongest incentives for inclusive membership, whereas common pool resources create the strongest incentives for stable differentiation. By contrast, Schimmelfennig and Winzen (2014) associate long-lasting differentiation with the integration of core state powers. Some grades of membership such as the Eurozone or the Schengen area are, indeed, policy-specific. Policy-based explanations go some way in explaining that both (core state power) areas are more differentiated than, say, the internal market (a non-core state power). In line with Kölliker, the growth of the Eurozone and the Schengen area over time can be attributed to the network goods they provide. For several reasons, however, policy characteristics do not qualify as alternative explanations of graded membership. Membership is a country-level property, not a policy characteristic. Because policy characteristics do not vary across countries, they alone cannot explain why some countries are more integrated than others. Moreover, most membership grades are not policy-specific but combine several policy areas.

3. The Differentiation of Membership in European Integration

The descriptive historical analysis of graded membership in this section serves several purposes. First, and in line with the theoretical assumptions, I trace how disagreement about deepening and widening proposals that could not be accommodated within the existing grades of membership has incrementally and unintendedly expanded the EU's system of graded membership. In addition, I provide anecdotal evidence that governance standards played an important – if not exclusive – role in such disagreements. Second, I show that the EU's system of graded membership has not only become increasingly differentiated over time but that this differentiation has remained durable in spite of overall progress toward more integration. Finally, I use the description to develop an inductive classification of membership grades, which will serve as the dependent variable in the subsequent panel analysis.

Figure 2 illustrates the development of graded membership in European integration. The conventional starting point for the European integration process is the Treaty of Paris establishing the European Coal and Steel Community (ECSC) in 1952. The ECSC started with and maintained a simple binary membership structure. By contrast, the Treaty of Rome establishing the European Economic Community (EEC) in 1958 provided for the *association* of third countries (Art. 238) below the membership threshold. Association was the only category of graded membership for European countries explicitly codified in the Treaty of Rome.[6] The first association agreement was signed between the EEC and Greece in 1961. This agreement did not result from a (rejected) proposal to enlarge the Community but reflected the common preferences of Greece and the member states to aim for a customs union for the time being and prepare for membership later on (Pelt 2006: 179-214). Subsequent differentiations were, however, outcomes of disagreement about integration proposals. I present them in chronological order.

Figure 2: Development of Graded EU Membership (1952-2015)



Source: Author.

The first case was Spain. At the time of the association negotiations between the EEC and Greece, the Spanish government, too, expressed its interest in joining the Community and concluding an association agreement as a stepping-stone. Whereas the member state governments were initially favorable to the Spanish request, they eventually rejected it after strong mobilization by the Parliamentary Assembly and European trade unions against the association of a non-democratic state (Thomas 2006). As a consolation prize, Spain became the first European country to start negotiations on a preferential *trade agreement* with the EEC in 1967.

When accession negotiations with Britain, Denmark, Ireland, and Norway were launched in 1970, the other member states of the European Free Trade Association (EFTA) started negotiations on *free trade agreements* with the EEC. The four most important economies of this group – Austria, Finland, Sweden, and Switzerland – were not only opposed to full membership but also to association with the EEC, mainly in

6 Another set of provisions related to the association of overseas territories.

order to uphold their neutral or non-aligned status in the Cold War. Yet they also sought to preserve the free trade regime they had established with Britain, Denmark, and Norway in EFTA (Gehler/Steininger 2000). For this reason, a preferential trade agreement was considered insufficient. As an in-between solution, the EEC invented Special Relations Agreements on industrial free trade with these four countries, Iceland, and Portugal (signed in 1972 and 1973). Norway joined after its voters had rejected accession in a referendum.

After the EEC had signed a first (non-preferential) trade agreement with Yugoslavia in 1970, both sides decided to expand their cooperation beyond trade later in the decade. Yet the EU ruled out association or free trade because Yugoslavia was neither a democratic country nor a market economy. Instead, the European Community (EC) created a new type of agreement, a comprehensive *Cooperation* Agreement signed in 1980 and covering a large number of policy areas including energy, transport, agriculture, fisheries, the environment, and tourism (Commission of the European Communities 1988). Exploratory talks for an association agreement were held when Yugoslavia began to democratize in the late 1980s but aborted when civil war broke out. Following the Yugoslav precedent, cooperation agreements (now termed Partnership and Cooperation Agreements) were widely used by the EU in its relations with post-Soviet countries on an uncertain path toward democratic and market economy transition after the end of the Cold War.

Differentiation among formal member states started in the mid-1980s. Only five out of 10 member states signed the *Schengen* Agreement on the gradual abolition of checks at their common borders in 1985. This limited number resulted from two types of refusals. The UK (and Ireland in its tow), Denmark and Greece rejected the idea of relinquishing control of their national borders; Italy supported the idea but was initially prevented from joining because it was not considered to control its external borders effectively (Gehring 1998; Kölliker 2006: 212f). To be able to move ahead with their project nevertheless, the Schengen-5 concluded an intergovernmental treaty outside the Community framework. The Schengen provisions and related policies (such as asylum policy) were reintegrated into the EU by the Treaty of Amsterdam of 1997 but have remained differentiated to this day.

In the Single European Act of 1986, the EC prepared the ground for establishing a single market until 1993. Fearing economic loss from trade and investment diversion, the free trade partners of the EC strove to secure a place in the internal market. With the exception of Austria, they did not initially seek full membership, however. At the same time, the EC wanted to avoid admitting new members while it was busy implementing the internal market program. In 1989, Commission President Jacques Delors therefore proposed the creation of the European Economic Area (EEA), providing for *market integration* without formal EC membership.

In 1990, the EC opened negotiations on Economic and Monetary Union. The British government opposed the single currency from the start of the negotiations; in Denmark, it was rejected in a referendum. As a consequence, the Treaty on European Union (1992) contained formal “opt-outs” from *monetary union* for these two countries. The divide between the Eurozone and the rest of the EU has since become the most important form of graded membership among EU member states.

Further differentiation during the 1990s concerned the non-member countries. In Switzerland, the referendum on the EEA Treaty failed in December 1992. Because the country did not want to be excluded from the internal market, however, it started negotiations on a series of bilateral international agreements – devoid of the EEA's supranational institutional mechanisms – in 1994. Finally, the EU invented the formal status of *candidate country* in 1997, when it decided to open the accession process with ten Central and Eastern European applicants but to start actual negotiations only with those five that fulfilled the political accession criteria best (Schimmelfennig 2003: 100-105). Moreover, Turkey reacted harshly against being excluded from the accession process by blocking further talks with the EU and on Cyprus and by threatening to veto the use of NATO facilities for EU missions. By granting Turkey the status of candidate for membership in 1999, the EU made an accommodative gesture without committing itself to actual accession negotiations (Önis 2000: 470). Since then, the EU has used the candidate status to reward countries seeking membership for progress on good governance, while deferring the decision to open accession negotiations.

In sum, the EU has gradually differentiated its membership structure. Starting with the basic distinction of formal members and non-members, which is common to all international organizations, and a transitional status of accession negotiations, which can take many years in the EU case, it has created nine additional formal grades of membership since its foundation. With the exception of the Treaty of Rome's "association" status, each new grade of membership has been a response to a contested deepening or widening proposal, which could not be accommodated on the basis of the existing membership structure. The description further provides some evidence that good governance standards played an important role in the EU's decisions to create new membership grades. The establishment of the "trade," "cooperation," and "candidate" grades was clearly motivated by the EU's assessment that Spain, Yugoslavia, some of the Central and Eastern European countries, and Turkey did not meet the EU's governance criteria for higher grades of membership. By contrast, the UK and Danish opposition to Schengen and monetary union as well as Swiss bilateralism were motivated by popular attachment to national institutions and concerns about national sovereignty. This relationship will be tested more systematically below.

Table 1: Grades of Membership in the EU Regional System

Formal membership	12 Complete integration
	11 Monetary union
	10 Area of Freedom, Security, and Justice (AFSJ)
	9 Economic union
Formal non-membership	8 Accession negotiations
	7 Candidacy
	6 Internal market (EEA)
	5 Association
	4 Bilateralism
	3 Free Trade Area
	2 Cooperation agreement
	1 Trade agreement
	0 No institutionalized relationship

Source: Author.

The EU's grades of membership are of a qualitative nature. Whereas the relationship of the EU with each non-member has its peculiarities, and even most member states have specific individual exemptions from Community law, the grades of membership result from decisions of the organization to invent new *types* of formal agreements. As the brief history of membership differentiation also shows, the grades of membership represent a *rank order*. Each new grade of membership was consciously distinguished from existing higher and lower grades of membership. Table 1 shows this rank order as it currently stands – from "no institutionalized relationship" at the bottom to "complete integration" at the top.

Whereas the grades of membership for formal non-members follow from the description of the trajectory of differentiation above, those for formal member states reflect different combinations of membership and non-membership in the main areas of permanent internal differentiation: the Eurozone and the Area of Freedom, Security, and Justice (AFSJ) comprising Schengen and other justice and home affairs policies. All member states of the EU participate fully in the internal market and its flanking policies (such as competition policy or consumer protection policy). This economic union is at the heart of the EU and can be considered the indispensable minimum of formal membership; participation in monetary union and AFSJ counts as complete integration; monetary union refers to membership in the Eurozone without full participation in AFSJ; and the AFSJ status excludes monetary integration.

Even though the classification is inductive and reflects historical EU practice, it could largely be reconstructed deductively as an ordinal scale of integration. Measures of integration commonly distinguish "level," the extent of pooling and delegation, and "scope," the range of integrated policy areas (Börzel 2005; Hooghe/Marks 2015). The level and/or scope of integration generally increase with every step from the low to the high end of the scale. Cooperation agreements have a larger scope than trade agreements; FTAs deepen economic integration in comparison with cooperation agreements. Switzerland's bilateralism moves beyond a free-trade area but eschews the supranational legal integration characteristic of the EEA and the commitment to membership typical of association. Candidacy includes a commitment to full membership that is absent for EEA countries. Finally, the level and scope of integration is higher in monetary union than in economic union, and for the members of both economic and monetary union, the scope of integration is broader if they participate in AFSJ additionally.

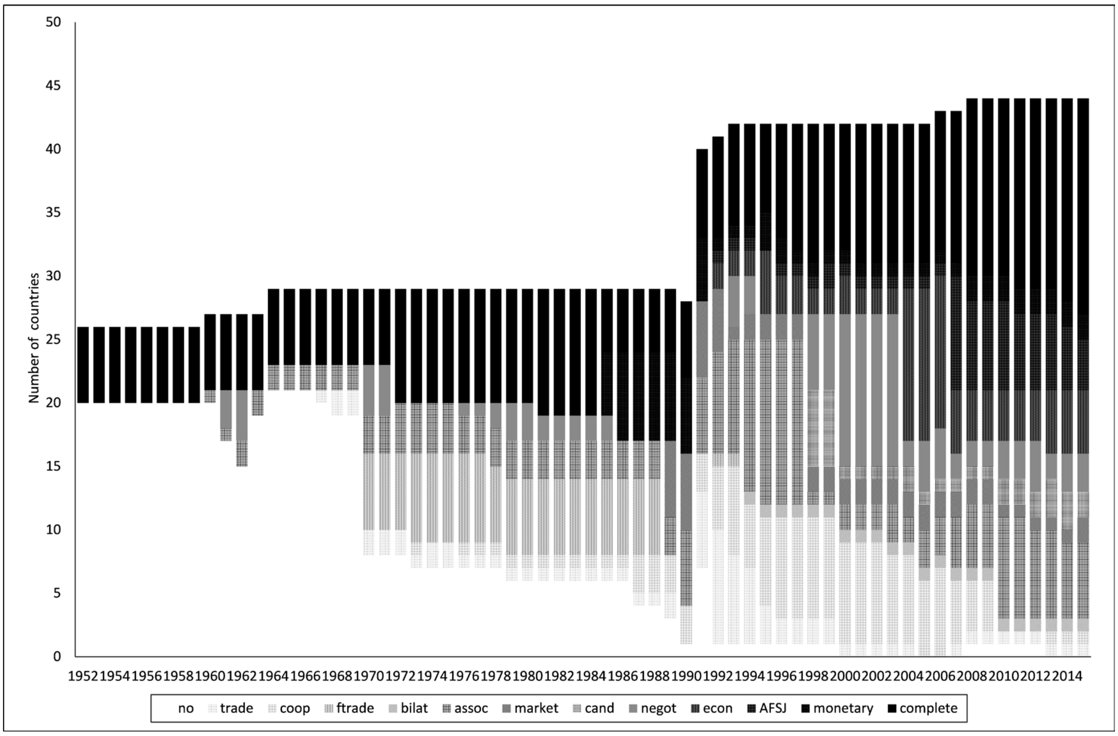
Figure 2 illustrates not only that the EU has invented ever more grades of membership. It also shows that EU's system of graded membership has institutionally consolidated over time. For the thirteen grades of membership listed in Table 1, Figure 2 shows how many grades of membership were in place (solid line) and how many were actually used (dotted line) in any given year.[7] Established and used grades of membership have generally increased together; in some periods (especially from the mid-1970s to the mid-1980s), all existing grades of membership were in use, too. Currently, all countries of the region are part of the EU's system of graded membership, and 11 out of 13 membership grades have been in use by at least one European state since 2010. Finally, Figure 2 shows that the system has been institutionally stable since 1997. While countries continue to move across the grades of membership, the structure in which they move has remained constant. This is the longest period of institutional stability since the establishment of

7 "Use" is defined as at least one country being in the membership grade or in formal negotiations with the EU on membership. For instance, negotiations on a free trade agreement count as the use of the FTA status.

the EU, and points to an institutional consolidation of the system of graded membership after the dynamic development of the early 1990s.

Figure 3 shows how the countries of the region have been distributed across the grades of membership in each year between 1952 and 2015. Countries in the "complete integration" category are shown in black, completely non-integrated countries in white, and countries in accession negotiations in grey; formal members are shown in darker patterns, formal non-members in lighter patterns. A structural break of the system at the end of the Cold War is clearly visible. Not only did the number of countries increase sharply – but with very few exceptions (first Yugoslavia, then Kosovo) all countries of the region have been part of the EU's system of graded membership. Both before and after the post-Cold War break, the integration of European countries into the EU system has gradually progressed – the darker parts of the bars have become longer over time. From 1952 to 1969, the median European country had no special institutional relationship with the EU; in 1989, it was negotiating market integration. In 1991, the median European country was negotiating an association agreement with the EC; in 2014, it is an EU member state. Integration has been accompanied by differentiation, however. On the one hand, the share of European countries with some membership status has increased from 23 percent in 1952 to 100 percent in 2014, and the share of formal EU member states has reached 64 percent. On the other hand, the share of completely integrated countries has only increased from 23 to 39 percent of European countries since 1952. This persistence of graded membership is remarkable given the massive increase in levels of integration for the states of the region. These descriptive findings support the claim that graded membership is a core feature of European integration.

Figure 3: Distribution of European Countries across Grades of Membership (1952-2015)



Source: Author.

4. Good Governance and Graded Membership

The subsequent analysis examines the hypothesized relationships between good governance and country positions in the EU's system of graded membership in the twenty-year period since the mid-1990s, while controlling as convincingly as possible for the effects of alternative explanations. This period is characterized by considerable structural continuity facilitating comparative analysis. The instability in the European regional system caused by the end of the Cold War had largely ended. Apart from the independence of Montenegro in 2006 and Kosovo in 2008, the number of European countries did not change.[8] Moreover, the structure of graded EU membership has remained stable: no new grades were established. Finally, no country has switched from refused to refuser country or vice versa.[9] On the downside, many European countries have not changed their position at all. This is true for the founding members, four additional core member states, and the refusing countries Denmark, Ireland, Norway, Switzerland, and the UK. In addition, the results cannot be generalized to the early European integration period from the 1950s to the 1990s, when Cold War alignments and neutrality had a strong impact on membership. The unit of analysis in the regional panel is the country-year.

The dependent variable is the position of a European country in the EU system of graded membership at the end of the year.[10] A country's position is coded based on its membership grade (according to Table 1) and the type of the membership decision (refusers vs. refused countries).[11] In order to arrive at a one-dimensional, linear measurement of the dependent variable, membership grades for the refused countries are coded from 0-11; the fully integrated core has a position of 12; and membership grades for the refuser countries are coded from 13-24 as their level of integration decreases. This transformation allows me to analyze the non-linear effect of good governance on membership as linear. Low governance quality results in a low membership grade for the refused; as governance quality improves, countries are positioned increasingly close to the core; once it exceeds the governance standard of the core, however, countries are expected to refuse further integration and to be positioned further away from the core as their governance quality increases. Table 2 lists the distribution of membership grades and their coding for the panel at the end of 2015.

8 Europe is defined as including all countries that stand a theoretical chance to become EU members. This includes Turkey, the countries of the Southern Caucasus (Armenia, Azerbaijan, and Georgia), and the Western former Soviet republics (Belarus, Moldova, and Ukraine) but not Russia, i.e. currently 44 European countries. The European micro-states are excluded, too.

9 A borderline case is Armenia's decision, under Russian pressure, to end association negotiations with the EU in 2013.

10 As in the descriptive analysis, membership in each grade begins with the formal start of negotiations on the relevant agreement(s), the nomination as candidate country, and the accession to the Schengen and euro zones. The findings do not change substantially, if membership is taken to start with the *signing* of the agreements. See Appendix 3.

11 Note that I code the initial decision. For instance, whereas the Czech Republic, Hungary, and Poland do not want to introduce the euro at this point, their non-membership in the euro zone originally resulted from a refusal of the old member states.

Table 2: The EU System of Graded Membership in 2015 (with codes)

Hemisphere Circle	Refusers	Refused
Complete integration (Core)	12 Austria, Belgium, Estonia, Finland, France, Germany, Greece, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia, Spain	
Monetary union	13 Ireland	11 Cyprus
AFSJ	14 Sweden	10 Czech Republic, Hungary, Poland
Economic union	15 Denmark, UK	9 Bulgaria, Croatia, Romania
Accession negotiations	16 ---	8 Montenegro, Serbia, Turkey
Candidacy	17 Iceland	7 Albania, Macedonia
Internal market (EEA)	18 Norway	6 ---
Association	19 ---	5 Bosnia-Hercegovina, Georgia, Moldova, Ukraine
Bilateralism	20 Switzerland	4 ---
Free Trade Area	21 ---	3 ---
Cooperation agreement	22 ---	2 Armenia, Azerbaijan
Trade agreement	23 ---	1 Belarus
No institutionalized relationship	24 ---	0 Kosovo

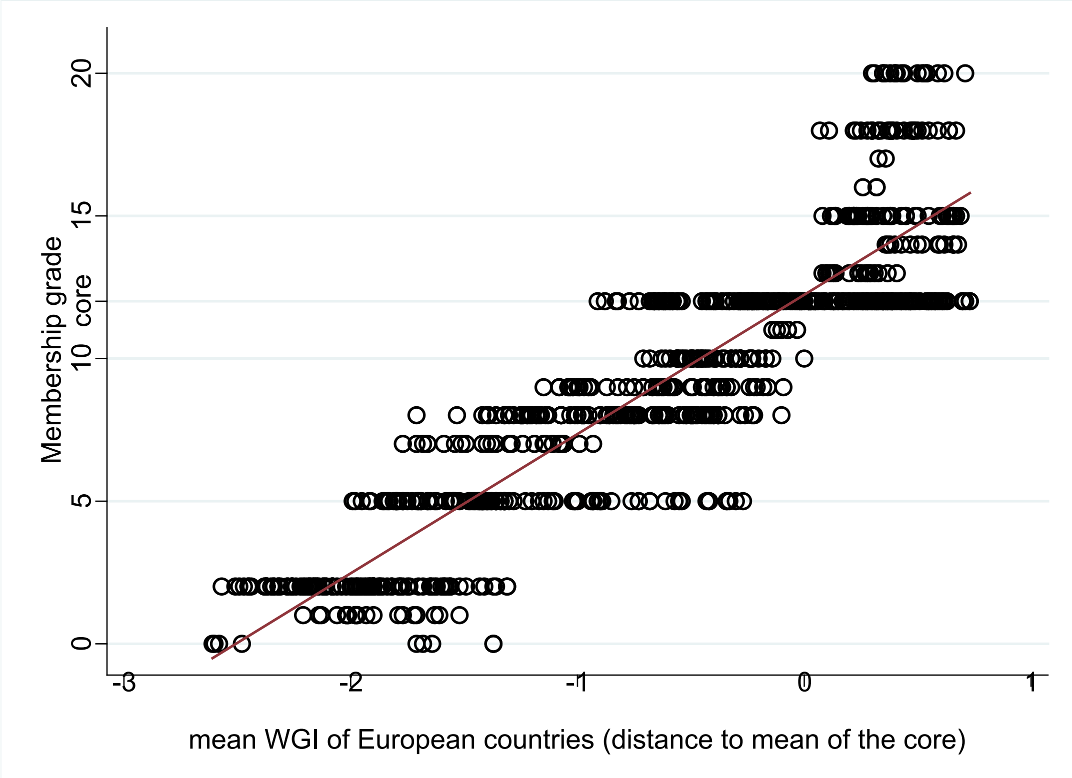
Source: Author.

The main explanatory variable "good governance" is measured as the annual mean score of the Worldwide Governance Indicators (WGI).[12] The WGI are particularly suitable for the present analysis because they capture both main components of the EU standard of good governance: liberal democracy and governance capacity. The six indicators are "voice and accountability" and "rule of law" for liberal democracy and "political stability," "government effectiveness," "regulatory quality," and "control of corruption" for governance capacity. The WGI are aggregated from a variety of data sources including surveys, NGO reports, business information services, and public sector organizations, and are available for 1996-2014.[13] WGI scores vary roughly between -2 and 2. Because the theory is based on the notion of a *relative* governance standard rather than absolute thresholds of good governance, the variable is measured as the distance of country WGI scores from the WGI mean of the core in a given year. The mean WGI score of the core countries has decreased from 1.41 in 1996 to 1.12 in 2014, indicating a deterioration of the EU standard of good governance.

12 See the website of the WGI project, available at http://info.worldbank.org/governance/wgi/index.aspx#home; 2 June 2016.

13 See WGI Data Sources, available at http://info.worldbank.org/governance/wgi/index.aspx#doc-sources; 2 June 2016. Values for 1997 and 1999 were added by linear imputation.

Figure 4: Worldwide Governance Indicators and Membership Grades



Note: Scatterplot of European country panel 1996-2014, pooled country-years (r=.90).
Source: Author.

Figure 4 plots the WGI scores of European countries against their membership grade and provides initial support for the hypothesized association. In addition, it shows a complete separation between the WGI scores for the refused and the refusing countries. All non-core European countries above the WGI mean of the core are refusers; those at or below the core mean are refused. This distribution indicates that good governance perfectly predicts whether countries refuse or are being refused (full) integration. By contrast, the distinction between core countries and non-core countries is less clearly shaped by good governance. It is also noteworthy that, whereas many refused countries are outside the core countries' range of WGI scores, refusing countries generally fall within the range of core governance quality.

I account for the alternative explanations by adding either control variables or fixed effects depending on whether they vary across time. Wealth is measured as the natural logarithm of expenditure-side real GDP per capita at chained purchasing-power parities in order to compare relative living standards across countries and over time (Feenstra et al. 2013). Because this measure is only available until 2011 (and not for Kosovo), including "wealth" reduces the number of observations. Cultural and political legacies as well as geography are time-invariant.[14] Because I am not substantively interested in their effects but need to

14 The map depicted in Appendix 1 provides strong visual evidence for geographical and cultural patterns in graded membership. Whereas refuser countries are predominantly located in the northwest of Europe, refused countries are predominantly located in the east.

make sure they do not bias my estimates of the good governance effect, I control for them by including fixed effects. As national identities tend to be relatively stable (and pan-European data is not available)[15], I assume that their effects can be reasonably treated as fixed, too. The fixed-effects design also takes care of all other unobserved heterogeneity between countries. Finally, I include year dummies in the fixed-effects analysis because the association between governance and membership is likely affected by temporal heterogeneity and events such as the war in Kosovo 1999 or the EU crises.

I use a variety of linear regression models for the analysis (see Table 3). Even though the membership grades represent an ordinal scale, the number of categories is relatively large (25) and Figure 2 suggests a good enough fit of the data with a linear model. In order to avoid simultaneity bias, the independent variables are lagged by one year.

Model 1 corroborates the descriptive analysis in a bivariate pooled OLS regression analysis. Model 2 introduces wealth, the main control variable. As expected, wealth is positively associated with membership, reduces the size of the coefficient for the WGI scores, and improves the model fit – but the association between good governance and membership remains intact.[16] Whereas the pooled OLS estimation of Models 1 and 2 makes use of the entire panel dataset to compare across both time and countries and provides a systematic description of the association between good governance and membership grades, it does not take into account the cultural and geographical heterogeneity described in most of the alternative explanations.

Table 3: Regression Results

	1	**2**	**3**
Good governance (WGI distance to core mean)	4.80 (.33)***	3.47 (.63)***	2.73 (.38)***
Wealth (logged GDP p.c.)		1.59 (.64)*	.32 (.43)
Year fixed effects			Yes
Country fixed effects			Yes
Constant	12.34 (.42)***	-3.86 (6.44)	6.30 (4.62)
N	813	677	677
R^2	.81	.83	.92
Estimation	OLS	OLS	OLS
Standard errors	Country-clustered	Country-clustered	Panel-corrected

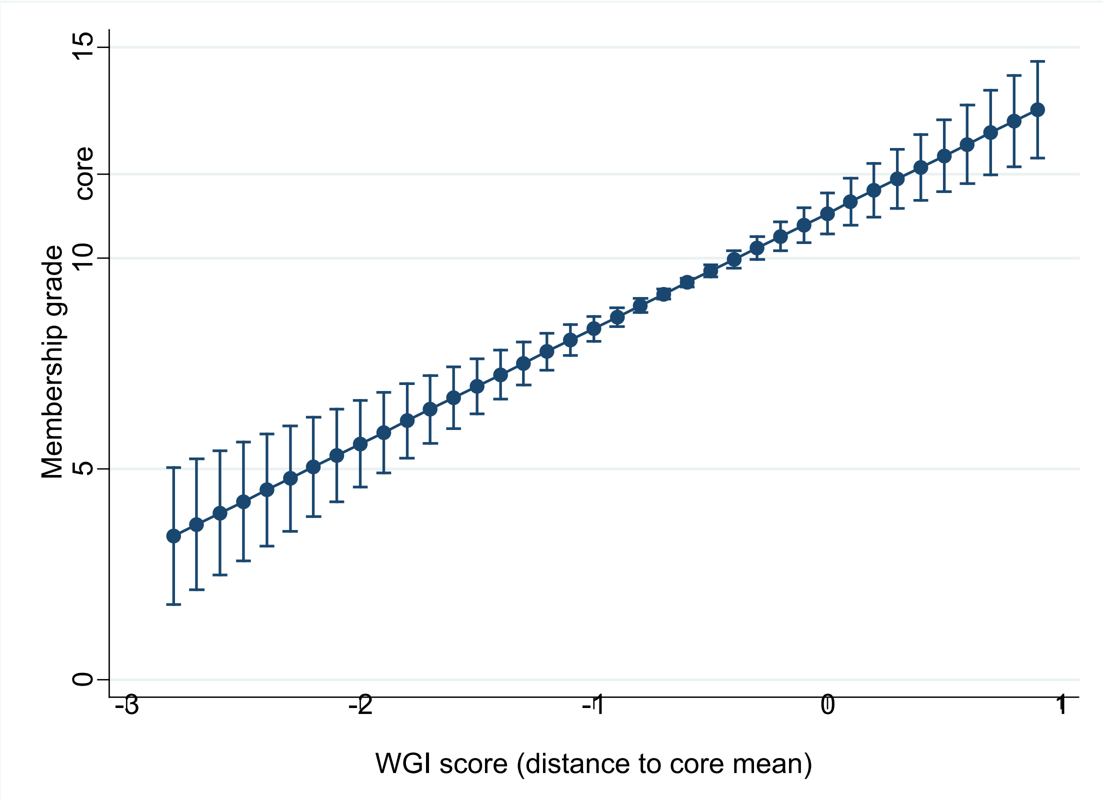
Note: Independent variables are lagged by one year. ***p <0.001; **=p < 0.01; *=p < 0.05.
Source: Author.

15 The Eurobarometer data conventionally used for studying the effects of national identity are only available for EU member states.

16 Because the coefficients for good governance and wealth are highly correlated, there is reason to be concerned about multicollinearity. The VIF is still at a moderate level of 5.9, however. At any rate, including wealth in the model provides for a conservative estimate of the governance effect.

Model 3 adds the country and year fixed effects. In order to correct for panel heteroscedasticity and serially correlated errors, it is estimated by Prais-Winsten regression with panel-corrected standard errors.[17] The results confirm the effects of good governance on membership, whereas the wealth effect is again insignificant. Figure 5 shows the corresponding predictive margins plot. After controlling for wealth, year and country fixed effects, a one-unit increase in the mean WGI score (relative to the core) causes countries to move up by almost three membership grades – the wider margins of confidence at the low end of the line indicate that this prediction works best for countries with intermediate WGI scores (roughly at distances of -1.9 and .6 from the core mean). As already indicated in Figure 4, the linear prediction works less well for the refusers. Indeed, it can only safely predict for countries with very high WGI scores that they will be refusers. In general, however, the comparison of expected and observed outcomes for the refusers shows few deviations.[18]

Figure 5: Effect of Good Governance on EU Membership Positions



Note: Predictive margins plot with 95% confidence intervals based on Model 3 (Table 3).
Source: Author.

17 See Beck and Katz (1995); Plümper et al. (2005) on why AR1 error models are preferable to the inclusion of a lagged dependent variable. See Appendix 3 for results with lagged dependent variable and without year fixed effects.

18 Only two refusing countries have a predicted membership grade that deviates by more than one grade for three consecutive years from the actual grade: Iceland (from 2010 to 2012) – the model does not explain Iceland's candidacy for membership – and Sweden (from 1997 to 1999).

In a set of robustness checks, I first substituted the WGI scores with alternative measures of good governance. The association of good governance and membership proves to be robust against variations in the measurement of good governance (Appendix 2). The WGI scores outperform all other measures, however. This seems to indicate that the combination of liberal democracy and governance capacity has a stronger effect than either of the two dimensions of good governance alone. In addition, the findings are robust against variations in the estimation method, the model specification, the measurement of the dependent variable, the relevant sample, or the lag structure (Appendix 3).

5. Conclusions

Over the past decades, European integration has not only deepened and widened significantly but also become ever more strongly and durably differentiated. The EU's system of graded membership has become increasingly fine-grained and now encompasses the entire region of Europe. Yet it has not been systematically theorized, described, and explained so far.

I have argued in this paper that graded membership is the – most often unintended – outcome of international disagreement on the deepening and widening of integration. By offering countries opposed to or deemed unfit for (more) supranational policy integration a customized position, it provides a solution to such disagreement. Whether a state refuses or is refused further integration, which position it takes in the system of graded membership, and under which conditions it moves towards the core depends systematically on its proximity to the standard of good governance (liberal democracy and governance capacity) established by the core members. The core denies further integration to countries that underfulfill the good governance standard. By contrast, societies and governments that outperform the core see little value in full supranational integration.

The empirical analysis demonstrated that refusing and refused countries are characterized by clearly distinct governance quality. It also corroborated the main conjecture that the integration of refused countries increases with improvements in governance, whereas the integration of refusers decreases as their governance performance improves. The position of European countries in the EU's regional system of graded membership is thus systematically associated with their democratic quality and their governance capacity.

In focusing on good governance, the analysis was geared towards parsimony and generality. It has sought to identify explanatory factors that hold for all European countries, inside and outside the EU. Most alternative explanations were controlled for rather than tested explicitly. Future research could also look into additional factors applying to specific time periods and groups of countries. For instance, as indicated by Figures 2 and 3, other factors besides governance seem to have a role in the refusing countries. Yet the variety of controls and robustness checks applied in this study give some confidence that good governance will continue to stand out as a major factor of graded membership.

Graded EU membership has become a core feature of European integration. Whereas the formal institutional structure of the stratification system has consolidated at the end of the 1990s, most grades of membership continue to be occupied. Ongoing accession and association negotiations from the Western Balkans to the post-Soviet space, contested reactions to the many crises of European integration, and exit scenarios from Grexit to Brexit keep differentiated membership on the European agenda.

As in other studies of European integration, it is an open question to what extent the findings are relevant for other international organizations. Is the EU a laboratory of things to come in international politics more broadly, an extreme – but instructive – case for the comparative analysis of regional organizations, or one of a kind (*sui generis*)? Although there is no comprehensive or systematic data on graded membership in other international organizations, it is safe to say that formal differentiation is nowhere as marked as in the EU. At the same time, graded membership is a feature of many regional organizations. In Europe, NATO distinguishes between member states that participate and those that do not participate military integration (Iceland and, formerly, France), partners (with and without a Membership Action Plan), and observers. The Council of Europe has observers and special guests. Outside of Europe, Mercosur has associate members. Six of the 15 member states of the Economic Community of West African States (ECOWAS) formed the Western African Monetary Zone in 2000. ASEAN has observer and candidate states and experiments with “ASEAN minus X” and “ASEAN plus X” formulas in regional security policy (e.g. Simon 2010: 53-55). By contrast, other regional organizations such as the Organization of American States (OAS) or the African Union (AU) have not introduced graded membership. OAS Permanent Observers are from outside the region, and the African Union suspends the membership of countries that do not live up to its standards of good governance.

In principle, the drivers of graded membership in the EU should apply to regional organizations in general. Starting from the consensus of a small and relatively homogenous group of original member states, such organizations have incentives to differentiate if additional countries with more diverse preferences and capacities seek to join or if some of the original member states seek to expand the policy scope or level of centralization beyond the initial consensus. Correspondingly, a heterogeneous initial membership reduces the demand for graded membership. We may further assume that graded membership increases with the attractiveness of a regional organization and its centrality for regional international relations. Both features would explain why countries both strive for some form of membership and are content with less than full integration. In addition, graded membership is likely to increase with the level of authority and policy scope of the organization – both create incentives and opportunities for differentiation. These theoretical considerations suggest that the EU – a regional organization that started with a small and homogeneous membership, quickly turned into an attractive regional market, broadened its policy scope, and deepened its level of integration over time – is a most-likely case for membership differentiation. Only a comparative analysis of regional organizations would allow for a proper test of the conjectures, however.

Comparative analysis would also help to uncover the variety of governance standards that organizations establish to embrace or refuse new members – and that nonmembers use to decide how far they would like to become integrated. Whereas NATO and the Council of Europe share the EU’s liberal-democratic good governance standard, they probably put less emphasis on governance capacity. Many non-European regional organizations will follow other standards. Alternatively, graded membership may not be associated with standards of good governance at all but follow patterns of power or interdependence. At any rate, there is every reason to include differentiated integration in the comparative regionalism and comparative IO design agendas and the corresponding data collections.

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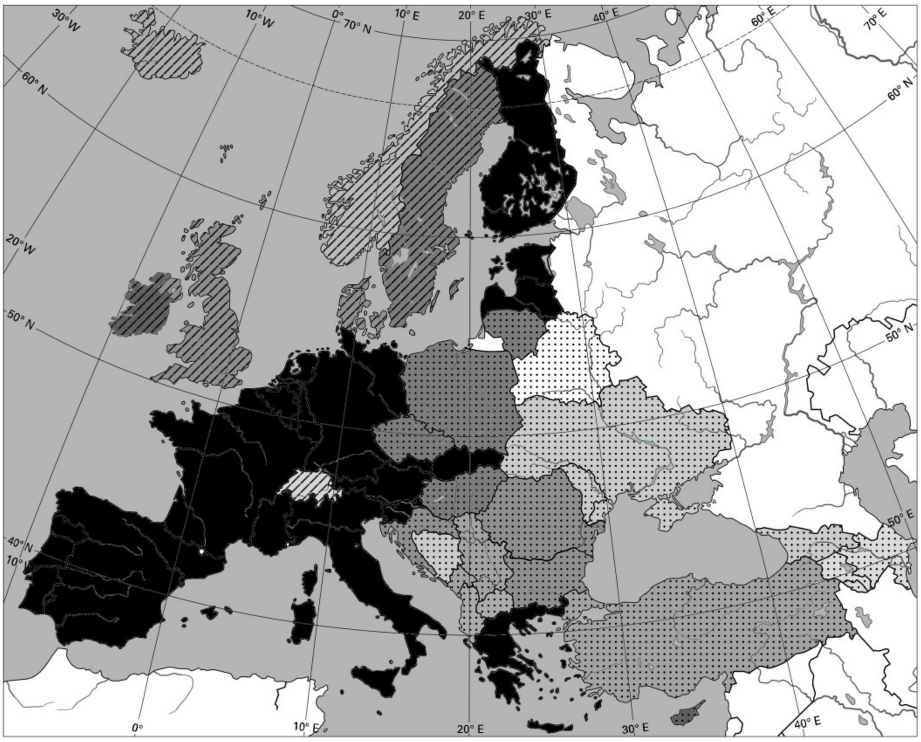
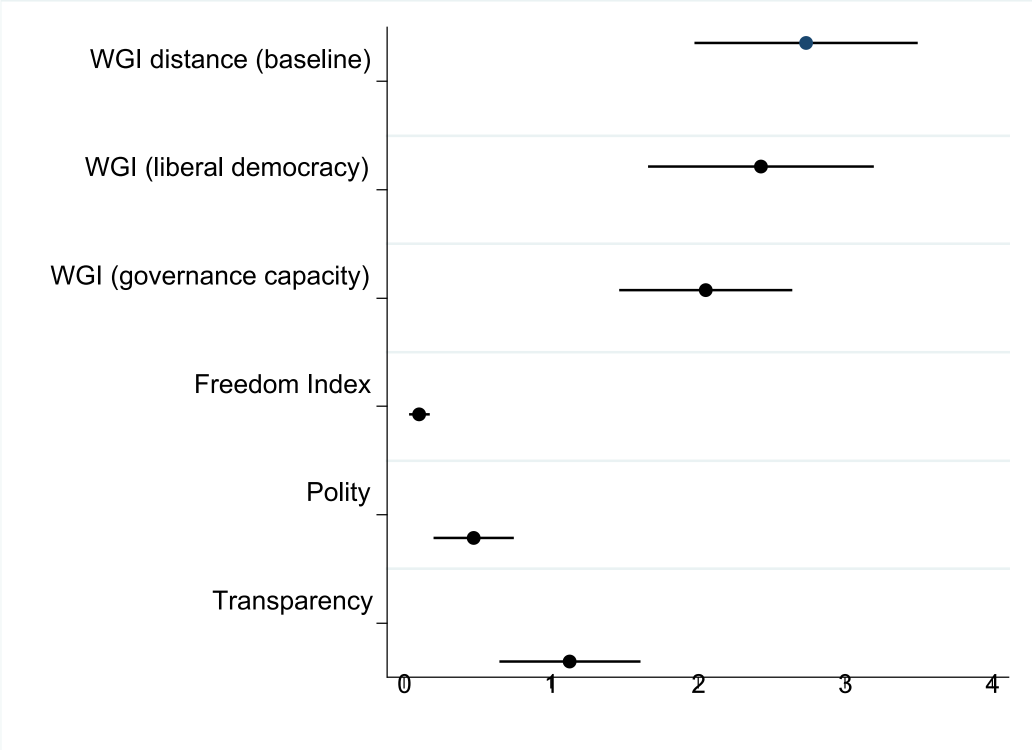
Appendix

Appendix 1: Map of Graded EU Membership, 2015



Note: Core countries in black. Grayscales for membership grades according to Table 2. Refusing countries with line hatching; refused countries with point hatching.
Source: I thank Jana Lipps for designing the map.

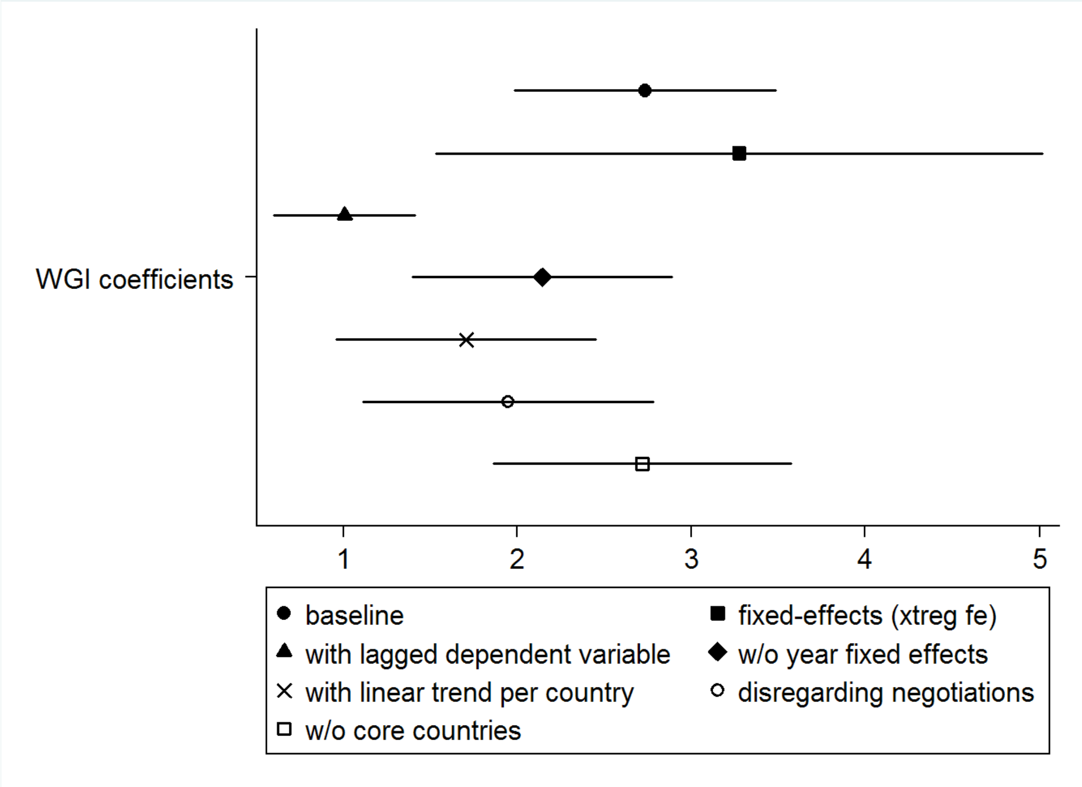
Appendix 2: Coefficient Plot with Alternative Measures of Good Governance



Source: Author.

Appendix 2 compares the baseline WGI distance score used in the main text with mean WGI scores for liberal democracy (voice and accountability; rule of law) only, mean WGI scores for governance capacity (political stability, government effectiveness, regulatory quality, and corruption) only, the Freedom Index by Freedom House, Polity IV scores, and transparency (Hollyer et al. 2014). These measures also differ in the range of countries and years covered. All alternative scores were transformed to fit the range of the WGI scores. Wealth is only significant at conventional levels in one model (WGI scores for liberal democracy).

Appendix 3: Coefficient Plot with Further Robustness Checks



Source: Author.

Appendix 3 compares the coefficient of the WGI distance across different model specifications and estimations. The baseline Praise-Winsten regression is first compared with a fixed-effects estimation using Stata's *xtreg fe* command, the inclusion of a lagged-dependent variable, and the omission of year fixed effects. A Fisher-type unit root test has been performed to assert the stationarity of the data. In addition, I performed a between-estimation (cross-sectional regression on the country means of the variables), which showed that the association between good governance and membership cannot be reduced to common trends (not shown here). As a further robustness check, I added country-specific linear trends to the baseline model. Finally, the results do not change considerably if the threshold for acquiring a new membership grade is set at the date of signing the relevant agreement rather than at the date of starting negotiations (disregarding negotiations). Nor does it affect the findings if core countries are dropped from the sample once they join the core (w/o core countries). This robustness check is based on the observation that no core country has ever become a refuser or refused country in the period of observation – except for a brief interlude of Greece outside the euro (refused) and for Sweden's decision not adopt the euro (refuser). Core members appear to be very unlikely to change their position in the system.

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