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To cite this article: Alexander Schilin & Lucas Schramm (07 May 2025): Insider, outsider, or both? Explaining discrepancies within differentiation in the European Union, West European Politics, DOI: [10.1080/01402382.2025.2492466](https://doi.org/10.1080/01402382.2025.2492466)

To link to this article: <https://doi.org/10.1080/01402382.2025.2492466>



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Published online: 07 May 2025.



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Insider, outsider, or both? Explaining discrepancies within differentiation in the European Union

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ABSTRACT

Existing studies suggest that differentiation, as determined in the primary law of the European Union (EU), creates stable boundaries between insiders and outsiders, with member states rarely altering their formal status. However, instances in which outsiders participate in insider policies or insiders pursue outsider strategies suggest that the empirical reality is more complex. This article develops and applies a fine-tuned notion of an additional type of differentiation in the EU, referred to as *secondary differentiation*. Applying this complementary perspective, the article sheds light on the grey areas of insiderness and outsidership. Discrepancies between primary and secondary differentiation are explained through variations in the dependencies of and politicisation in individual EU member states. Findings from the Economic and Monetary Union and the Schengen Area show that EU member states regularly refer to secondary differentiation to respond to issue-specific incentives without changing their formal status.

KEYWORDS Differentiated integration; Economic and Monetary Union; interdependence; politicisation; Schengen Area

Since the entry into force of the Maastricht Treaty in 1993, differentiation has evolved into a systematic feature of the politics and polity of the European Union (EU) (Leruth *et al.* 2019). Differentiation implies that not all EU member states are willing or able to transfer authority to the supranational level on the same terms or at the same time (Winzen and Schimmelfennig 2016). Once differentiation is realised via alterations of EU primary law – what we call *primary differentiation* – member states are divided into *insiders* and *outsiders* of European integration. Current research suggests that the distance between these two groups remains stable. Indeed, the direction of member states' integration decisions is said

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to correspond with their prior, primary differentiation status (e.g. Schimmelfennig and Winzen 2023: 24). Scholars relate this observation to arguments rooted in path dependence, holding that once differentiation has come into place, insiders and outsiders embark on diverging integration paths (Schimmelfennig and Winzen 2020: 124).

However, considering EU member states' engagement in individual measures and reforms adopted in differentiated policy areas, one notices that their behaviour does not necessarily overlap with their primary status as insiders or outsiders. There are multiple instances in which outsiders acted as if they were insiders, and vice versa. The Fiscal Compact constitutes one prominent example. Formally known as the 'Treaty on Stability, Coordination, and Governance in the Economic and Monetary Union', the aim of this international treaty has been to reinforce budgetary discipline inside the Eurozone (Laffan and Schlosser 2016). Yet, in addition to the 17 Eurozone countries at the time of adoption, another eight EU member states joined the Fiscal Compact, reaching far beyond their obligations as Eurozone outsiders. The Schengen Area offers other examples of member states deviating from the expected behaviour that their primary differentiation status would suggest: when the EU experienced record numbers of arriving asylum seekers, eight Schengen insiders introduced checks at their national borders (Schramm 2023). Although never formally approved at the EU level, most border checks were prolonged much beyond the length of six months, as foreseen in the Schengen acquis.

This article seeks to theorise, document and explain such deviations of EU member states from their primary status regarding differentiation. Only recently scholars have started to investigate additional forms of differentiation in the EU which are not recognised in authority transfers *via* formal procedures or codified in EU law (e.g. Hofelich 2022a). Contributing to this debate, we conceptualise *secondary differentiation* as an additional form of differentiation through which EU member states recognise patterns of heterogeneity that deviate from the dichotomous conditions determined through its legalist-institutionalist counterpart of primary differentiation. Rather than legal transfers of state authority, secondary differentiation manifests itself in issue-specific behaviour through which EU member states indicate their willingness (or not) to upgrade the 'common interest' and, thus, to respond to concrete policy challenges at the supranational level (Börzel 2023; Haas 1968). This conceptualisation allows for a more comprehensive picture of member states' roles regarding differentiation, accounting for ad hoc tools of (dis-)integration within and outside the EU's legal framework. To develop expectations on when, how and why discrepancies between primary and secondary differentiation occur, we refer to issue-specific constellations of dependencies and politicisation in individual EU member states.

Our study addresses an important research desideratum, namely, to conceptualise and analyse additional forms of differentiation in the EU (Schimmelfennig *et al.* 2023). Furthermore, we corroborate recent research suggesting that, in the face of high functional pressures and political contestation, authority transfers to international contexts of governance, such as the EU, hardly unfold via formal grand bargains and treaty revisions, but in more subtle ways (Kreuder-Sonnen and Zangl 2025). Our findings document that considering primary and secondary differentiation simultaneously, the distinction between insiders and outsiders becomes more blurred: multiple Eurozone outsiders participated in key Eurozone measures, such as the Fiscal Compact and the financial assistance package to Ireland, while several Schengen insiders de facto disintegrated from the Common European Asylum System (CEAS) and the Schengen Borders Code. In all cases under examination, individual EU member states were exposed to threats or opportunities that altered constellations of dependencies and politicisation and, thus, developed deviating preferences on European (dis-)integration for the issue at stake. Secondary differentiation offered ad hoc solutions to these member states accommodating their issue-specific preferences without them having to change their formal integration status.

The article has six sections. The next section outlines secondary differentiation as an additional type of differentiation in the EU, which manifests itself in more subtle forms of (non-)cooperation. Furthermore, it develops expectations on when, how and why discrepancies between primary and secondary differentiation arise. The third section introduces the case studies and elaborates on the subsequent analysis and the data. The fourth and fifth sections present the empirical findings. We document instances of integrative secondary differentiation in Economic and Monetary Union (EMU) and disintegrative secondary differentiation in the Schengen Area. The concluding section discusses the implications of the findings and suggests avenues for future research.

Theoretical argument: the multiple forms of differentiation in the EU

This article develops and applies a distinct notion of secondary differentiation in the EU. Most research rests on a legal-institutionalist understanding of European (dis-)integration (Leruth *et al.* 2019). From such a perspective, primary differentiation describes differences among EU member states regarding their formal participation in transfers of state authority to and individual policies agreed on the supranational level (Schimmelfennig and Winzen 2020: 16–17). This type of differentiation usually occurs via grand bargains and alterations in the EU's (primary) law.

Yet, an exclusive focus on such primary differentiation might lead scholars to miss important aspects of the empirical reality (Hofelich 2022a: 66; Schimmelfennig *et al.* 2023). Indeed, Winzen and Schimmelfennig (2016) classify EU treaty negotiations and accession procedures as the rare opportunities in which member states modify their differentiation status. Such a reliance on legal procedures involving all EU member states comes with a certain ‘unidirectionality bias’ because, in view of the EU’s many legal and institutional safeguards, a decrease in the formal depth or width of integration is unlikely (Kelemen 2013). Thus, a sole focus on primary differentiation might underestimate the extent of actual European disintegration as it does not capture ad hoc measures through which member states lower their individual degree of integration, without changing their formal status. Similarly, analysing differentiation only from a legal-institutionalist perspective might overestimate within-group homogeneity. Schimmelfennig and Winzen (2020: 124) argue that once differentiation is in place, insiders and outsiders will follow the same integration path. While such arguments might explain why EU member states rarely change their formal status regarding differentiation, they do not recognise policy-related differences in dependencies and politicisation between (groups of) member states which, however, are equally relevant to the dynamics of differentiation in the EU.

This article brings two innovations to the academic debate. First, it develops the complementary understanding of secondary differentiation in the EU, recognising its distinct theoretical foundations and accounting for possible deviations from its legal-institutionalist counterpart. Second, the article offers and tests an explanatory model that derives expectations for the causes and consequences of the discrepancies between primary and secondary differentiation.

Conceptualising secondary differentiation: broadening the scope of European integration

Recent studies have stressed that there are additional strategies for member states to cope with heterogeneity beyond modifying the EU’s treaty law. Thus, there exist multiple forms of differentiation in the EU which scholars call ‘de-facto differentiation’ (Hofelich 2022a, 2022b), ‘differentiated cooperation’ (Amadio Viceré and Sus 2023), ‘differentiated policy implementation’ (Zhelyazkova *et al.* 2024), or ‘differentiated non-compliance’ (Sczepanski and Börzel 2023). We recognise that these terms have different conceptual origins and point to different stages of the policymaking cycle. Yet, our article pursues a more general purpose. It aims to understand why the actions of EU member states regarding such additional forms of differentiation at times contradict their formal status according

to primary law and how this translates into EU-level consequences. We thus subsume under the term *secondary differentiation* all forms of differentiation that go beyond differentiation based on EU treaty law.

We contribute to the debate on secondary differentiation by substantiating its theoretical foundations through a broader notion of European (dis-)integration. Börzel (2023) recently recalled that next to legal innovation and formal institution-building, integration essentially means conflict resolution by upgrading the ‘common interest’. This definition lowers the conceptual threshold for what can be interpreted as integration or disintegration. It includes instances in which EU member states agree on common measures but refrain from legal changes or institutional deepening. Such an understanding reflects Ernst Haas’ notion of European integration as conflict resolution where member states rely on supranational institutions as ‘institutionalised mediators’ to respond to concrete policy challenges and define common solutions (Haas 1961: 367).

Despite their lower conceptual threshold regarding European (dis-)integration, manifestations of secondary differentiation still fulfil minimum requirements through which they differ from less relevant differences among EU member states. Most importantly, secondary differentiation results from a member state’s decision to significantly increase or decrease its involvement in processes of cooperation at the EU level. Such an intention to change one’s own degree of integration without modifying the EU treaties, is usually rooted in explicit political motives. This requirement excludes cases of simple ‘non-compliance’ resulting from a lack of resources or administrative costs (Closa and Hernández 2025; Sczepanski and Börzel 2023). Furthermore, secondary differentiation is lasting: only if the behaviour of a member state goes beyond the short-term deviation from its formal status will it have significant implications for patterns of cooperation and politics at the EU level (Hofelich 2022b). It is for this reason that the reintroduction of border controls by some Schengen insiders for a short and clearly defined period would not be considered an instance of secondary differentiation. In fact, the Schengen *acquis* allows for such acts if they do not last longer than six months and the respective country faces a serious threat to its public policy or internal security.

Linking secondary differentiation to a broader notion of cooperation allows for a more comprehensive understanding of the dynamics of European integration. In contrast to its legal-institutionalist counterpart, the concept draws attention to the more subtle and *ad hoc* tools that member states (can) utilise inside and outside the EU’s legal framework to accommodate heterogeneity in their integration preferences. Considering primary and secondary differentiation as two co-existing types of differentiation, which refer to distinct but equally relevant understandings of European integration, further helps to understand how and why insiders

and outsiders may deviate from their respective group peers without changing their formal group membership. Our complementary perspective allows us to identify and analyse those instances in which the behaviour of member states regarding secondary differentiation contradicts their formal status, shedding light on diverse dynamics of differentiation in the EU.

In its *integrative* form secondary differentiation accounts for any instance in which outsiders decide to cooperate with insiders on specific issues and, thus, take measures to get involved in processes initiated at the EU level in order to determine or implement common policies. Usually, we would expect outsiders to refrain from participating in insider initiatives and solve problems through national measures. Yet, in certain situations, outsiders might find that they share a common interest with insiders and, thus, desire to be included in the related measures at the supranational level. In such cases, outsiders will search for ad hoc tools within or beyond the EU's legal framework through which they can cooperate with insiders, without having to commit to a formal transfer of authority (Genschel *et al.* 2023).

Inversely, in its *disintegrative* form secondary differentiation accounts for those instances in which insiders do not cooperate with (some of) their group peers on a specific issue. Usually, we would expect insiders to search for common solutions and deepen integration. Yet, in certain situations some insiders might find that they do not have such an interest, either because they do not face the same problem pressures as their peers or because they modify their preferences in view of the given circumstances. In such cases, the respective insider state might search for informal ways to escape from or circumvent its status-related expectations for more integration, allowing it not to respond to a specific problem or handle it predominantly through national measures (Hofelich 2022a; Kreuder-Sonnen and Zangl 2025).

Explaining discrepancies between primary and secondary differentiation

In this section, we outline our theoretical argument on why insiders and outsiders deviate from their status-related role expectations and act as if they were members of the respective other group. We deploy two explanatory factors: interdependence and politicisation. Building on authoritative studies (Leuffen *et al.* 2022; Schimmelfennig *et al.* 2015; Winzen and Schimmelfennig 2016), we deduct these factors from functionalist and postfunctionalist theories about the driving forces of European (dis-)integration. In the original component of our argument, we consider issue-specific constellations of these two explanatory factors. We argue that members of both groups rethink their integration decisions regarding

specific policy issues if they face constellations of dependencies and domestic politicisation that do not correspond with their status determined through primary differentiation. In the empirical analysis below, we test this argument by analysing integration decisions in EMU and the Schengen Area where insiders and outsiders faced constellations that were contrary to their status-related expectations.

We turn to interdependence first. Following a functionalist gain-oriented logic, interdependence is the main driver for integration (Moravcsik 1993; Schmitter 1969). It reflects member states' affectedness by a given challenge and their dependence on each other, meaning that political decisions or developments in one state have effects on what governments in other countries can achieve in their contexts (Keohane 1984; Keohane and Nye 2012). Member states that are significantly affected and dependent on others will favour coordinated policies. This is because they wish to increase policy gains and avoid negative externalities. By contrast, member states that are little affected by the given challenge and/or less dependent on others have few incentives for coordination. They can instead pursue measures considered effective on the national level. In line with this logic, differentiation in the EU results from heterogeneity of dependencies (Leuffen *et al.* 2022: 80; Schimmelfennig 2019). Path-dependent arguments would further suggest that insiders show high and similar degrees of dependencies on each other and will strive for more integration, while outsiders show lower degrees of dependencies on insiders and will therefore stay behind, leading to further differentiation between the two groups. Our claim and findings, however, indicate that this is not necessarily the case.

We now consider politicisation. Postfunctionalism focuses on the politicisation of national identities as the main factor determining the depth and width of European integration (Hooghe and Marks 2009). National identity concerns are particularly relevant in areas of core state powers, including fiscal and asylum policies (Genschel and Jachtenfuchs 2016). While recognising possibilities of a 'positive politicisation' (Schmitter 1969) and for policymakers to 'depoliticise' conflictual issues (Bressanelli *et al.* 2020), we side with the basic postfunctional assumption according to which politicisation constitutes an obstacle for (further) European integration and might lead to disintegration (Hooghe and Marks 2009, 2019). From a postfunctional perspective, differentiation in the EU results from different degrees of politicisation across member states (Leuffen *et al.* 2022: 163). Member states in which European integration is strongly (read: negatively) politicised will look for ways to avoid or reduce integration. By contrast, national governments in those member states with a low degree of politicisation have more freedom to follow functional pressures and deepen integration.

We argue that discrepancies between primary and secondary differentiation occur when member states' degrees of dependencies and politicisation regarding specific issues deviate from status-related expectations.¹ Under such conditions, the constellations of the two explanatory factors do not reflect the formal divide between insiders and outsiders. The legal-institutionalist perspective would make scholars expect the formal status of a member state to correspond with its degrees of dependencies and politicisation: insiders are usually considered a relatively homogenous group regarding dependencies and politicisation. This similarity motivated them to find common solutions and engage in integration in the first place. Moreover, outsiders are considered to face different conditions than insiders, which led them to abstain from integration steps. Once formalised, integration decisions can hardly be reversed due to high institutional and legal barriers.

Unless they accept long-lasting procedures of accession or exit, outsiders and insiders are expected to remain in their respective camps. Member states might accept this lack of flexibility *as long as* there is no major change in their individual degrees of dependencies and politicisation. Yet, as we suggested above, there are situations in which member states use ad hoc tools within or beyond the EU's legal framework to deviate from their formal status. We show that the resulting discrepancies between primary and secondary differentiation are directly associated with scenarios in which individual member states experience significant changes in their degrees of dependencies and politicisation regarding specific policy issues. Thus, the status-related expectations about homogeneity among insiders and heterogeneity between insider and outsider groups no longer correspond with what these member states actually experience.

In the following, we discuss all relevant scenarios of discrepancies between primary and secondary differentiation.² The scenarios are illustrated in [Figure 1](#). We first consider the prospects for outsiders to cooperate with insiders in what results in secondary differentiation that is integrative compared to primary differentiation (upper left corner in [Figure 1](#)). Outsiders seek cooperation with insiders if they experience high dependencies in combination with low politicisation regarding a specific policy issue. Usually, we would expect such constellations to apply to insiders only. Their initial cooperation should foster dependencies and reduce political reservations against cooperation on the supranational level. For outsiders, by contrast, such constellations are rather untypical. Their initial decision to abstain from integration should make new dependencies with insiders unlikely, while they should increase the potential for negative politicisation. Yet, due to country-specific dependencies or spill-overs from insider problems, outsiders might find themselves in a situation that is similar to those of insiders. Under such circumstances we

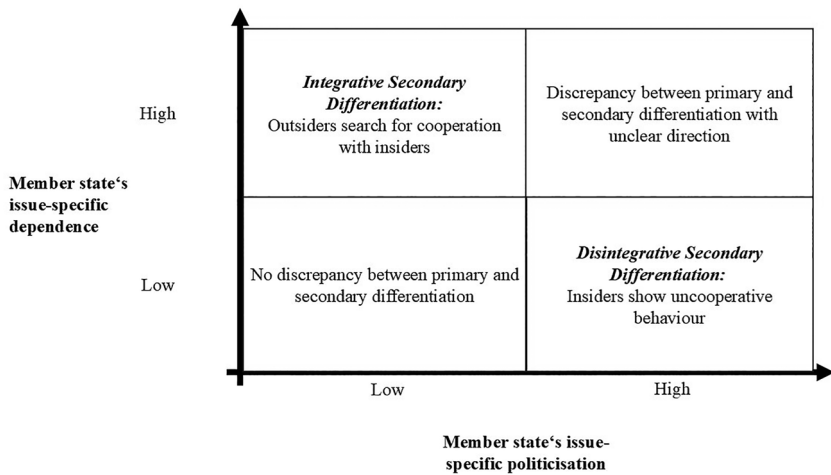


Figure 1. Interaction between the explanatory factors for individual member states and their implications for discrepancies between primary and secondary differentiation at EU level.

expect outsiders to deviate from their status-related expectations and cooperate with insiders regarding the specific policy issue. Allowing for a discrepancy between primary and secondary differentiation enables outsiders to act fast and problem-oriented. They can avoid long-lasting accession procedures and target those policies in which they have common interests with the insiders. Moreover, outsiders can respond to functional pressures without facing the risk of a constraining politicisation which often results from formal integration (Migliorati 2022).

We now turn to the scenario in which insiders show uncooperative behaviour, causing a situation in which secondary differentiation is disintegrative compared to primary differentiation (lower right corner in Figure 1). We expect insiders to pursue such paths of (informal) disintegration if they experience low dependencies in combination with high issue-specific politicisation. The legal-institutionalist perspective would conceive of insiders as a fairly homogenous group in which members face high, and growing, dependencies and public support for supranational cooperation. However, notably asymmetric and fast-evolving ‘external shocks’ might alter these patterns (Biermann *et al.* 2019), meaning that (some) insider governments face less dependencies on their peers and are confronted with strongly constraining politicisation in their domestic contexts. In such instances, those insiders develop diverging preferences from their peers. Due to the untypical constellation of dependencies and politicisation, they find themselves in a situation similar to the one that usually applies to outsiders. Those insiders do not find common action on the supranational level to be in their interest and instead refer to national

measures, even if this involves violating or undermining earlier steps of formal integration. At the same time, they abstain from formalising their disintegrative steps and thus changing their status regarding primary differentiation because they do not want to risk the political costs and legal complexities coming with formal exits.

Insiders and outsiders face ambiguous pressures when they are confronted with high dependencies on (fellow) insiders in combination with high politicisation regarding a specific policy issue (upper right corner in [Figure 1](#)). Such a constellation constitutes an in-between scenario in which it remains unclear, *a priori*, whether those states will act according to their initial status of primary differentiation or deviate from it. For insiders, such a situation might arise as the result of a national event that triggers negative politicisation of a specific issue. Disintegrative secondary differentiation would then allow these governments to react quickly and decrease supranational cooperation. Yet, the dependencies on fellow insiders, which had caused them to integrate in the first place, remain high. We expect the insiders to deviate from their status-related expectations only if they consider the potential risks of not accounting for dependencies to be lower than the domestic costs resulting from high politicisation.

For outsider governments, such an in-between scenario might result from an external shock through which they suddenly share a common interest with insiders. While there is a significant change regarding their dependencies on insiders, the reason why they abstained from integration in the first place, namely a high degree of politicisation, remains. The outsider government now faces a delicate choice: while cooperation with insiders might help to accommodate the high dependencies, it might harm electoral support domestically. Thus, the government will only allow for integrative secondary differentiation if it finds ways to contain negative politicisation. For instance, outsiders might distract the public from cooperation with insiders through symbolic opt-outs ([Genschel et al. 2023](#)).

Cases, methods and data

Our case studies come from two highly integrated but also differentiated policy areas. While the Eurozone currently comprises 20 of the 27 EU member states, the Schengen Area includes 23 EU member states plus four non-EU member states. The article thus combines cross-case and within-case research ([George and Bennett 2005](#)). For each policy area, we study two cases. For EMU, we consider the Fiscal Compact and the financial assistance package to Ireland. For the CEAS and the Schengen Area, we analyse the relocation mechanism for refugees and the reintroduction of national border controls. Our case studies document different types of

discrepancies between primary and secondary differentiation and critically assess the explanatory power of our argument.

We selected the cases as we expect them to showcase the relevance of our explanatory argument. In all cases, initial evidence suggested significant discrepancies between primary and secondary differentiation. While in the EMU cases, secondary differentiation is integrative compared to primary differentiation, for the CEAS and the Schengen Area secondary differentiation is comparatively disintegrative. Closer empirical analysis of the four case studies further allows us to understand the causes and mechanisms behind these discrepancies. We engage in plausibility probes and consider the case studies to constitute ‘pathway cases’ for our theoretical argument (Gerring 2016). Finally, considering both EMU and the CEAS and Schengen Area, rather than a single policy regime, enables cross-case comparisons.

The empirical analysis relies on multiple types of data. Primary sources include European Council conclusions, European Commission communications, statements from national policymakers, statistical data from the Eurobarometer and the World Bank, and interview material from the ‘EMU Choices’ dataset (cf. Csehi and Puetter 2021). We complement and triangulate these sources with press reports and academic literature.

Analysing discrepancies during the Eurozone crisis

The Eurozone crisis constituted a period in which multiple Eurozone insiders stood on the edge of sovereign default. The crisis arguably started in October 2009 when the then Greek Prime Minister, George Papandreou, announced that the annual fiscal deficit of his country exceeded twelve percent of the national Gross Domestic Product (GDP) (Featherstone 2011). Consequently, the Greek state struggled to refinance its debts *via* the international bond markets. The Greek crisis was the starting point of a chain of events in which multiple Eurozone insiders lost the ability to attain liquidity at sustainable rates and requested financial assistance. While the fiscal rules determined in the Stability and Growth Pact (SGP) were regularly violated by almost all EU member states, scholars demonstrated that the shortcomings of EMU’s architecture became acute through the ‘sovereign-banking loop’ triggered by the global financial crisis from 2007 to 2009 (Howarth and Quaglia 2016): the mutual reinforcement between sovereign and private debts, in combination with the lack of a credible lender of last resort in the Eurozone, led to a vicious dynamic which eventually threatened the existence of the entire EMU.

In response to the crisis, three sets of measures were introduced. First, reforms aimed at enhancing the effectiveness of the fiscal rules, notably through strengthening the preventive and corrective arms of the SGP

(Laffan and Schlosser 2016). Second, Eurozone member states addressed the need for a lender of last resort by creating the European Stability Mechanism (Gocaj and Meunier 2013). Finally, the European Banking Union provides its members with standardised instruments to supervise and resolve large banks (Howarth and Quaglia 2016).

The Fiscal Compact

The Fiscal Compact includes multiple reforms aimed at strengthening fiscal and economic coordination in EMU (Ioannou *et al.* 2015: 161). Eurozone insiders decided to create this international treaty in an ad hoc manner after the United Kingdom (UK) had blocked the initial proposal for a treaty change (Verdun 2015: 229). Participation was open to all Eurozone outsiders. While the Fiscal Compact is divided into six titles, the substantive reforms on fiscal and economic governance are outlined in three of them: Title III contains the provisions on budgetary governance. The balanced-budget rule obliges participating states to adopt a legally binding debt brake at the national level. Furthermore, the participating countries agreed on an automatic correction mechanism for spending cuts if they deviate from their respective targets on debt reduction. The provisions in Title IV seek to enhance economic coordination. Participating member states commit themselves to increasing competitiveness and employment via coordinated national economic reforms. Finally, Title V determines the composition and working procedure of the Euro Summit which had been established in 2008. The Fiscal Compact became effective on 1 January 2013, after 13 EU member states had ratified the treaty.

The Fiscal Compact presents a case in which Eurozone outsiders were more integrative than their status regarding primary differentiation would have suggested. Except for the UK and the Czech Republic, all Eurozone outsiders signed the international treaty together with the Eurozone insiders. This applies to Denmark, which had decided to formally opt out from Eurozone accession, as well as to the other Eurozone outsiders which are obliged to adopt the single currency once they fulfil the convergence criteria. At the same time, despite their formal participation, the provisions mentioned above do not apply to all Eurozone outsiders equally: while Title V is mandatory for all participating states, Titles III and IV only apply to those Eurozone outsiders that explicitly chose to adopt the corresponding rules on fiscal and economic governance.

Denmark and Romania, as well as the three Baltic countries Estonia, Latvia and Lithuania – which had not yet joined the Eurozone at that time – declared full participation in the Fiscal Compact before it came into force in 2013. Bulgaria followed a year later, announcing its

participation in Title III. Poland, Hungary and Sweden also signed the Fiscal Compact, but their participation is limited to Title V. The Czech Republic reconsidered its decision and ratified Title V in 2019. Irrespective of the variation in the involvement of Eurozone outsiders, effectively the Fiscal Compact is much more integrative than formal distinctions between EU member states regarding their Eurozone membership imply.

In line with our expectations, the comparatively integrative secondary differentiation regarding the Fiscal Compact is due to Eurozone outsiders experiencing high financial and economic dependencies on their counterparts inside the single currency area. While mostly Eurozone insiders faced mounting pressures on the international bond markets, this development had implications also for outsiders. Between 2010 and 2013, the losses in GDP were as high inside the Eurozone as they were outside. This parallel development is not surprising given the strong trading connections between these two groups of EU member states. For the Nordic countries, the German market was of particular relevance as in the year 2010, it was the most important and second-most important destination for Danish and Swedish exports, respectively. Similarly, Eurozone outsiders in Central and Eastern Europe (CEE) exported a large share of their goods to Southern Eurozone insiders like France, Italy or Spain. The economic growth of countries outside the Eurozone thus heavily depended on the performance of countries inside. Against this background, the negotiations about the Fiscal Compact had a peculiar timing because Italy and Spain faced increasing pressures on the bond markets (Laffan and Schlosser 2016). Given their strong economic ties, it was in the interest of Eurozone outsiders to ensure that the Eurozone crisis would not escalate further and insiders could regain the trust of international investors.

At the same time, negative domestic politicisation of the measures introduced by the Fiscal Compact was low for most Eurozone outsiders. Data from the Eurobarometer indicate that EU citizens were in favour of reducing public deficit regardless of whether they lived in a country inside or outside the Eurozone (European Parliament 2012). The lack of effective EMU budgetary rules was salient all over the EU. It was particularly prominent in Denmark, which, despite its voluntary outsider status, had been promoting strict budgetary rules long before the crisis (Marcussen 2005). In the CEE countries, limiting fiscal spending was most popular among voters for whom the social costs of the austerity measures were rather low, which was mostly the case in Estonia, Latvia, Lithuania and Bulgaria (Walter 2016). For these countries participating in the fiscal rules determined by the Fiscal Compact was also an opportunity to underline their commitment to eventual Eurozone accession (EMU Formation Interview BUD16). By contrast, Hungary, Poland and Sweden only signed the Fiscal Compact after Eurozone outsiders had been allowed

to choose the substantive reforms they wanted to participate in and had received an observer status in the Euro Summit (EMU Formation Interview BUD14; Taylor 2012). The latter countries' reluctance corresponds with their limited efforts at fulfilling the convergence criteria, effectively delaying their accession to the Eurozone (Dandashly and Verdun 2018).

To summarise, the integrative secondary differentiation for the Fiscal Compact is due to the Eurozone crisis spilling over to Eurozone outsiders in combination with the low domestic politicisation of the introduced measures. Due to their strong economic dependencies on Eurozone insiders, outsiders were heavily affected by the difficulties inside the single currency area. Signing the Fiscal Compact was a low-cost and quick option to support EMU reforms and, thus, contribute to terminating the overall harmful Eurozone crisis.

The financial assistance package for Ireland

Before the onset of the Eurozone crisis, Ireland would have been an untypical candidate to apply for financial assistance. Given huge economic growth rates, Ireland was considered a poster child and even gained the nickname of the 'Celtic Tiger' (Donovan and Murphy 2013: 15–30). Yet, despite these favourable circumstances, the global financial crisis had severe repercussions on the country. In 2007, a bubble in Ireland's property market burst, triggering a collapse of the banking sector and a serious economic recession (Zagermann 2024: 138). What happened afterwards can be considered a showcase of the sovereign-banking loop. The Irish government faced the challenge of financing large bailouts for its financial sector with a total amount equal to 29% of national GDP (European Commission 2011) while suffering a massive decline in tax revenues due to the economic recession. The consequence was a rapid increase in the country's annual budgetary deficit, up to 32% of GDP in 2010 (Zagermann 2024: 140). Quickly, the Irish government had to accept higher interest rates to refinance sovereign debts. In the autumn of 2010, it could no longer gain liquidity on the international bond markets at sustainable rates. On 21 November 2010, the Irish government submitted its official application for financial assistance to the European Commission. Eventually, the country was granted a package worth €85 billion to be disbursed in multiple tranches over three years.

The financial assistance package to Ireland was the only one that, next to the contributions from Eurozone insiders, also included bilateral loans from outsider states. In total, Denmark, Sweden and the UK contributed €4.8 billion. This integrative discrepancy between primary and secondary differentiation is particularly noteworthy given the high politicisation of

financial assistance matters across EU member states. When asked whether their country should provide financial assistance to EU member states facing severe economic and financial difficulties, an Eurobarometer survey found that 50% of respondents were in favour, while 44% opposed it (European Parliament 2012). Notably, citizens from member states outside the Eurozone were more critical of addressing the crisis through coordinated measures – such as common bailout packages – than those residing within the single currency area.

Eurozone outsiders initially considered financial assistance a matter for Eurozone insiders (Schilin 2024). This perception was evident in public debates in Denmark, Sweden and the UK during discussions about the first rescue package for Greece in early 2010, just prior to the debate on Ireland. In Sweden, the then Minister of Finance, Anders Borg, consistently voiced concerns about the severe economic consequences of a potential Greek sovereign default. However, he firmly ruled out Sweden's involvement in bailout packages beyond its contributions to the International Monetary Fund, assigning this task to Eurozone insiders (Sveriges Radio 2010). A Danish official articulated this stance even more explicitly, stating: 'They [Greece] should be helped, but not with our money'. (EMU Formation Interview STO09) In the UK, the debate over financial assistance was particularly contentious. Eurosceptic positions gained increasing popularity in the public debate, with the United Kingdom Independence Party (UKIP) emerging as the primary beneficiary. Although UKIP never gained significant influence in the UK parliament due to the first-past-the-post electoral system, the Conservative Party feared losing seats in constituencies where their margins were narrow. Consequently, from 2010 onwards Conservative governments sought to portray themselves as protectors of UK taxpayers, distancing the country from the financial troubles of the Eurozone crisis (EMU Formation Interview GBR04).

Yet, what distinguished the Irish case of financial assistance from others were the high economic and financial interdependencies of Denmark, Sweden and the UK with Ireland. Denmark had a clear interest in avoiding a sovereign default of Ireland because its largest financial institution, Danske Bank, had a subsidiary in that country, the National Irish Bank. The government representatives also expressed more general concerns about the impact of a possible sovereign default of Ireland on the Danish economy (Ward 2010a). For the UK, the ties to the Irish banking sector were even stronger. During a debate in parliament, the then Finance Minister, George Osborne, highlighted the significant role of Irish banks in providing personal bank accounts for UK citizens living in Northern Ireland (House of Commons 2010). He also noted the high share to which UK banks held Irish sovereign bonds and that Ireland accounted

for five percent of the UK's exports (BBC 2010). While the direct linkages to the Irish economy were not as significant for Sweden, their Finance Minister, Anders Borg, still argued that 'for a country like Sweden, that is so open and dependent on Europe, it is impossible to sit on the sidelines when this kind of risk occurs' (as cited in Ward 2010b). Such statements indicate that the Danish, Swedish and UK governments considered a potential sovereign default of Ireland as harmful to their countries as it would have been for the Eurozone insiders.

To summarise, despite their strong reluctance to get involved in financial assistance matters of the Eurozone, Denmark, Sweden and the UK made significant contributions to the bailout package for Ireland. These Eurozone outsiders considered a potential Irish sovereign default a severe threat to the stability of their national economies. The high dependence of their financial sectors on the Irish banking system prompted their national governments to support Eurozone insiders' efforts to prevent such a default despite the high politicisation and negative domestic attitudes surrounding financial assistance. This integrative discrepancy between primary and secondary differentiation emerged as the result of trade-off decisions, with outsider governments weighing ambiguous incentives linked to our two explanatory factors. While the two case studies on EMU policies have shown instances in which the actual patterns of cooperation among EU member states were more integrative than primary differentiation would have suggested, the next two cases analyse when and how secondary differentiation becomes comparatively disintegrative.

Analysing discrepancies during the Schengen crisis

In 2015 and 2016, the EU faced an unprecedented number of 2.3 million asylum seekers coming to Europe. The migratory movements challenged the CEAS and the principle of free movement of people inside the Schengen Area (Monar 2016). Prior to the crisis, in 2013, the EU had revised its common protection standards for asylum seekers and introduced an internal distribution mechanism. These instruments rested on several EU directives and the so-called Dublin-III Regulation, which stipulates that member states located at the EU's external borders are responsible for assessing the application of asylum seekers who are entering the Schengen Area through their territory (Niemann and Zaun 2018).

Starting in early 2015, asylum and migration became the main topics of deliberations inside the European Council and for legislative proposals issued by the European Commission (Trauner 2016). The EU member states shared some basic minimum objectives to tackle the Schengen crisis *via* common responses. First, in principle, they aimed at making the CEAS more resilient and crisis-proof. While Germany's Chancellor, Angela

Merkel, argued that ‘everything must be done to preserve Schengen’, the Visegrád group comprising the Czech Republic, Hungary, Poland and Slovakia echoed that the maintenance of Schengen was ‘the key strategic objective’ (as cited in Biermann *et al.* 2019: 254). Second, the Schengen Area brings considerable economic advantages as it facilitates administrative procedures and economic exchanges. A study by the European Parliament from 2016 estimated the costs related to the reintroduction of border controls at €7.1 billion (as cited in Chebel d’Appollonia 2019: 206). Third, the Schengen Area is of high symbolic value, with citizens regularly ranking it among the greatest achievements of European integration (Webber 2019: 135–176).

Irrespective of member states’ shared basic objectives, the Schengen crisis constitutes a period in which secondary differentiation among EU member states was disintegrative compared to primary differentiation. Diverging patterns of dependencies and politicisation due to their individual affectedness by the arriving asylum seekers and their implications for the domestic political discourse caused heterogeneity among Schengen insiders and led them to develop different preferences regarding the adequate crisis responses. Several insiders acted as if they were outsiders, systematically undermining supranational rules and reverting to national measures. The consequence was a weakening of the Schengen acquis and manifestations of an European disintegration.

The failed relocation mechanism for refugees

At the beginning of the crisis, in the spring of 2015, the number of arriving asylum seekers was particularly high in the member states located at the EU’s external borders, primarily Greece and Italy. In view of their uneven exposure, scholars soon distinguished between different camps of member states: those located at the EU’s external borders were considered ‘arrival’ or ‘frontline’ states (Biermann *et al.* 2019; Kriesi *et al.* 2024: 121–150). Soon overwhelmed and missing the support from the other member states, they went on to pursue a ‘waving-through’ approach, stopping to register asylum seekers and triggering large ‘secondary movements’ towards Northern Europe (Trauner 2016).

Among those ‘destination’ member states, it was Germany that in 2015 and 2016 received about half of all the asylum applications launched in the EU. Relative to their population size, the number of asylum applications was highest in Hungary, Sweden, Austria and Germany. By contrast, most other member states – alternatively labelled ‘transit’ or ‘non-affected’ countries (Biermann *et al.* 2019; Kriesi *et al.* 2024: 121–150) – did not face significant increases in asylum applications. Thus, irrespective of their same formal status, there was considerable variation in the individual

policy pressures and degrees of dependencies among CEAS insiders following the rapid increase in arriving asylum seekers. We expect this variation to translate into diverging crisis management strategies among governments of insider countries. While the affected insiders will advocate for more integration, the non-affected insiders – opposing such closer cooperation – are prepared to pursue disintegrative secondary differentiation.

This is indeed what happened. At the height of the crisis, in September 2015, the Commission proposed the relocation of 120,000 recognised refugees from Greece, Hungary and Italy (European Commission 2015). The relocation mechanism was seen as a first effort by the EU towards greater responsibility-sharing for refugees (Thielemann 2018). On 22 September 2015, the Council voted in favour of the Commission's proposal via a qualified majority against the vocal opposition of four CEE member states (Czech Republic, Hungary, Romania and Slovakia, with Finland abstaining).

Patterns of actual pressures and dependencies go a long way towards explaining national preferences and the ensuing disintegrative secondary differentiation. The best indicator for member states' support for or opposition to the relocation mechanism was their exposure to arriving asylum seekers. In essence, while arrival and destination states were in favour, the transit or non-affected states opposed the relocation mechanism: largely satisfied with the status quo, the latter had no interest in cooperating with the other insider countries. Member states with a medium-size exposure, such as France and Spain, were little enthusiastic but, at least at the beginning, endorsed the decision (Biermann *et al.* 2019; Zaun 2018).

Certainly, the relocation mechanism was controversial from the beginning, with 'the quota' leading to generally increasing but uneven degrees of negative politicisation across member states (Scipioni 2018; Zaun 2018). At first, however, the presence or rise of anti-asylum political parties varied across member states. An extreme case was Hungary. Although, on paper, it would have benefitted from the EU-internal relocation of refugees, the government of Prime Minister Viktor Orbán refused being considered a frontline state. Orbán even held a referendum on the quota, arguing that such a decision should be taken by national electorates and not bureaucrats in Brussels (Börzel 2016). Apart from Hungary, public opinion was most hostile towards the relocation mechanism in those member states that were little or not at all affected. Opinion polls showed that large shares of respondents, particularly in the four Visegrád countries, opposed the quota idea because they feared that their way of life would deteriorate (Zaun 2018). Thus, regarding insiders' support for or resistance to the relocation mechanism, patterns of dependencies and domestic politicisation pointed in the same analytical direction (Biermann *et al.* 2019).

The consequence was that, despite its small targets, especially if compared to the overall number of asylum seekers arriving in the EU,

multiple CEAS insiders refused to implement the relocation mechanism in an act of disintegrative secondary differentiation. When the two-year scheme expired in late September 2017, only about 30,000 refugees had been relocated. Member states like the Czech Republic or Poland refused to take in a single refugee, prompting the scheme to suffer from major implementation deficits. Evidently, this politically motivated and persistent refusal went beyond mere non-compliance (see also Börzel 2016). The intention of several insider governments to systematically undermine the relocation mechanism further became obvious when, in December 2015, Hungary and Slovakia filed a lawsuit over this policy decision at the Court of Justice of the European Union (CJEU). In June 2017, the Commission announced infringement procedures against member states that were failing to implement the relocation mechanism. Three months later, the CJEU ruled that the Council decision was legal which, however, did not lead the outvoted member states to comply.

In its 2015 proposal for the relocation mechanism for refugees, the Commission also recommended a permanent quota scheme for crises relying on the same parameters as the temporary scheme. As it soon turned out, in multiple CEAS insiders the opposition to such a measure was too strong. Instead, the idea of ‘flexible solidarity’, as originally promoted by the Visegrád countries, prevailed (European Council 2016). Following this notion, the distribution of recognised refugees would be voluntary. In late 2016, with the temporary relocation mechanism about to expire soon, the Prime Minister of Slovakia and head of government of the country that held the rotating Council presidency, Robert Fico, declared the quota to be ‘finished’ (as cited in Zalan 2016).

The reintroduction of national border controls

Distinct patterns in member states’ dependencies and domestic politicisation also help to explain the partial reintroduction of national border controls inside the Schengen Area. Borderless travel was considered a key milestone in unlocking the full economic and societal potential of the European single market. However, the creation of the Schengen Area also created new dependencies between member states: an effective control of the EU’s external borders and reliable cooperation in judicial and police affairs became essential. This sensitive system was further tested by rising negative politicisation in both arrival and destination states, reinforced by the unresolved conflict over the relocation of refugees (see above). To be sure, the Schengen Borders Code foresees the possibility of temporary controls, for instance in the event of a public security threat. Such controls must be justified and limited in their duration. Member states are also expected to notify other Schengen insiders beforehand, together with

the Commission and the European Parliament (Ceccorulli 2021). Since September 2015, however, several Schengen insiders introduced national border controls without prior notification or coordination.

The starting point arguably was Germany's decision to suspend the Dublin rules. When evidence grew that asylum seekers were systematically detained in Hungary, the German government, in late August 2015, decided to admit asylum seekers from Syria into the national asylum system, irrespective of where they had entered the EU first. Next to a humanitarian imperative, Chancellor Merkel indicated that another motive was to buy time until a comprehensive European response to the crisis involving all insider states would be reached (Hildebrant and Ulrich 2015), possibly including a comprehensive and functioning relocation mechanism.

However, with this response remaining absent, the German and other national governments soon moved to alternative instruments. Their unsuccessful call for responsibility-sharing, driven by their status as destination countries, led these governments to revert to national measures. In early September 2015, in a move demonstrating the mutual dependencies across member states for the functioning of the Schengen system, Germany reintroduced controls at its border with Austria. This decision triggered a 'chain reaction' (Chebel d'Appollonia 2019) as several Schengen insiders followed suit. The first one was Austria, where the government even advocated for the creation of border fences and yearly caps on the number of admitted asylum seekers. By November 2015, eight Schengen insiders (Germany, Austria, Slovenia, Hungary, Sweden, Norway, Denmark and France) had introduced controls at their national borders, suggesting a deviation from their formal membership status and its corresponding principles. A key concern of all these governments was to avoid becoming a 'dead end' where asylum seekers could get 'stranded' (Genschel and Jachtenfuchs 2018).

Most importantly, however, the measure was also a response to growing and unfavourable domestic politicisation in the destination countries. Merkel became increasingly unpopular at home, with opinion polls suggesting strong opposition towards her liberal border policy. A significant part of the German electorate now favoured the introduction of national border controls as they seemed to be the only measure left to reduce the number of arriving asylum seekers (Zaun 2018). In Austria, the anti-immigrant party Freiheitliche Partei Österreichs became the strongest party in the opinion polls after the government had initially followed Germany's example of keeping the national borders open to asylum seekers arriving from Hungary. Even in Sweden, a country with one of the most liberal asylum systems in the world, the government adopted restrictive border policies with the aim of becoming less attractive to asylum seekers.

It is thus important to note that the failed relocation mechanism as a possible way for handling the high but uneven numbers of arriving asylum seekers had led to a new situation. While dependencies remained high across Schengen insiders, the key difference is that negative politicisation now sharply increased in the top-destination countries, leading governments to introduce border controls to pass on migratory pressures to others (De Somer 2020). The partial reintroduction of national border controls thus constitutes an in-between scenario (cf. Figure 1) where the eventual outcome depends on the values that the two explanatory factors take and the importance that governments devote to them. In this concrete case, Schengen insiders like Germany prioritised reacting to the (perceived) domestic costs resulting from high politicisation over the still high dependencies. By contrast, politicisation regarding the Schengen Area was not as high and negative in the countries that did not experience high pressures due to arriving asylum seekers. Hence, those countries continued to prefer a borderless Schengen.

We thus again see how differences in our explanatory factors concerning the Schengen insiders, notably in their domestic politicisation, led to secondary differentiation becoming disintegrative compared to primary differentiation. We also see that due to the sequence of events and the respective policy issue at stake – the relocation mechanism in the first case, border controls in the second – different camps of insider countries pursued disintegrative secondary differentiation, although for similar reasons, namely, to compensate via national means for an EU-level measure that they did not approve or did not manage to achieve.

Discussion and conclusion

Except for some recent contributions, existing scholarship almost exclusively focuses on legal-institutionalist manifestations of differentiation in the EU. While this perspective can explain long-term patterns of European integration, it can hardly account for situations in which member states choose to deviate from their formal status as insiders or outsiders. To provide a more comprehensive understanding of empirical reality, this article offers a complementary approach to theorise, document and explain discrepancies between primary and secondary differentiation in the EU. We argue that the two types of differentiation are based on two different but equally relevant understandings of European (dis-)integration. They exist simultaneously but can deviate from each other. Outsiders might cooperate with insiders on specific issues at the EU level, even if they do not commit to permanent authority transfers. Vice versa, insiders can refuse cooperation and refer to national measures without having to revoke previous steps of formal integration completely. We explain

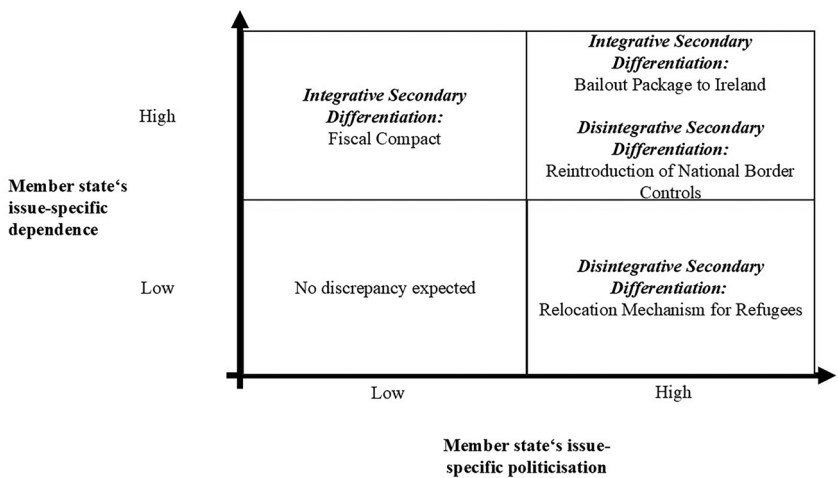


Figure 2. Empirical variation of the explanatory factors in the analysed cases.

discrepancies between primary and secondary differentiation from the perspective of member states, considering constellations of dependencies on (fellow) insiders and domestic politicisation regarding specific policy issues that deviate from status-related expectations.

Figure 2 illustrates how observed discrepancies between primary and secondary differentiation in the empirical cases relate to ordinal degrees of dependence and politicisation. The case studies on EMU policies demonstrate that integrative discrepancies emerge from two distinct constellations of these explanatory factors. First, high dependencies on Eurozone insiders combined with low politicisation prompted Eurozone outsiders to participate in the Fiscal Compact. Outsiders recognised that the crisis effects went beyond the single currency area, motivating nearly all of them to support the insiders' efforts to strengthen fiscal rules. Second, the dependencies of Denmark, Sweden and the UK on Eurozone insiders became even more apparent in late 2010, when the potential sovereign default of Ireland posed a serious threat to their financial sectors and national economies. Faced with severe risks, these Eurozone outsiders made significant contributions to Ireland's financial assistance package despite their initial strong reservations about involvement in insiders' financial assistance matters. These reservations were driven by high politicisation and negative attitudes in domestic debates. These findings demonstrate that the integrative form of secondary differentiation can still occur even under conditions of high politicisation if national governments assign greater weight to (economic) dependencies.

The case studies from the Schengen crisis offer important insights into comparatively disintegrative forms of secondary differentiation. The

legal-institutionalist perspective would hold that developments inside the Schengen Area were characterised by much continuity as there were no changes in the countries' formal membership status. Yet, when considering actual patterns of cooperation among insiders, one finds a more nuanced picture. The different routes of arriving asylum seekers essentially grouped CEAS insiders into affected and non-affected countries. Member states that were not or hardly affected had few incentives to support the relocation mechanism for refugees, let alone a permanent quota system. Uncooperative behaviour enabled these insiders to react in such a way as to realise their issue-specific preferences without having to make consequential decisions on their formal membership. Member states' reactions to this first case triggered a second discrepancy between primary and secondary differentiation: in the absence of an EU-level solution, several Schengen insiders referred to national measures. Despite (continuous) high dependencies, they followed pressures from high negative politicisation and reintroduced border controls, leading to disintegrative secondary differentiation. Thus, our two explanatory factors not only explain preferences for (further) European integration but also for member states' informal withdrawal from already integrated policy areas.

Our findings bring situative preferences and agency back into the debate. In the literature, there is a tendency to see insiders and outsiders as members of their respective groups rather than individual states with issue-specific preferences. Referring to the mechanism of path dependence, it is argued that once states have joined the same group, their integration preferences will remain the same or even converge. Indeed, this argument can explain long-term patterns of primary differentiation. Yet, considering the ad hoc measures of (dis-)integration, our article demonstrates that constellations of dependencies and politicisation might vary on specific issues, at times motivating insiders and outsiders to diverge from their respective group peers. In particular, external shocks tend to affect members of the same group in different ways. Following such sudden shifts in the patterns of national preferences, insiders and outsiders turn to the tools of secondary differentiation to find quick policy responses that reflect their individual situation without having to make longer-term and formal changes regarding their status of primary differentiation. Uncovering such dynamics, our article makes an important contribution to understanding the short-term dynamics of differentiation in the EU.

The article opens several avenues for further research. First, the explanatory model should be tested more systematically in various contexts of secondary differentiation. While we focused on EMU and the CEAS/Schengen Area as those cases in which primary differentiation is most established, issue-specific deviations in member states' individual degrees

of dependencies and politicisation may also account for discrepancies between primary and secondary differentiation in other policy areas, such as the EU's Common Security and Defense Policy (CSDP). Furthermore, studies should consider cases in which countries decided to change their formal membership status although forms of secondary differentiation were available. For instance, Denmark recently decided to withdraw from its opt-out from the CSDP. While more detailed empirical validation is needed, it seems that Russia's full-scale invasion of Ukraine, starting in February 2022, led the Danish government to revoke an instance of primary differentiation that it had already circumvented for a long time through various forms of cooperation (Migliorati 2024). Finally, future studies should consider cases in which discrepancies between primary and secondary differentiation become normalised. In the Schengen Area, many national border checks have become quasi-permanent (Bornemann 2024). Scholars already noted that renewal policies often happened on controversial legal grounds, with national governments switching between different Treaty bases or avoiding a proper legal justification altogether (Ceccorulli 2021). Studies should thus enhance our understanding of such normalisation processes, uncover mechanisms, and discuss their normative implications for the future of European integration.

Notes

1. In certain constellations, a discrepancy between primary and secondary differentiation already occurs if only the degree of one of the two explanatory factors, dependence or politicisation, deviates from status-related expectations for individual member states. We elaborate on such constellations further below.
2. We expect no discrepancies between primary and secondary differentiation if individual member states face low degrees of dependencies and politicisation simultaneously (lower left corner in Figure 1). Under such circumstances, both insiders and outsiders lack an incentive to reconsider prior integration decisions. Insiders have no interest in pursuing disintegration because they still face a low degree of negative politicisation. On the other hand, outsiders have no interest in integration because their dependencies on insiders remain limited.

Acknowledgements

This article has benefitted immensely from the feedback and comments that we received from several colleagues. In particular, we would like to thank Tobias Hofelich, Emma Leenders, Dirk Leuffen, Martin Moland, and Thomas Winzen for their extensive reviews of previous versions of the manuscript and their helpful suggestions for improvement. This article was presented at the biannual conference of the ECPR 'Standing Group on the European Union (SGEU)' in Lisbon in

June 2024. We thank all participants for their comments and questions. We are also grateful to the editors of *West European Politics* and the two expert reviewers for their rigorous reviews and constructive engagement.

Disclosure statement

No potential conflict of interest was reported by the authors.

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