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## Explaining European Integration: The Merits and Shortcomings of Integration Theory

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### **What Theories of Regional Integration Best Explain the European Experience to Date, and Why has Regional Integration Proceeded at a Slower Pace in Asia, the Pacific Basin, Africa, Latin America and North America?**

The different theories of regional integration have widely different views on regional integration in Europe and offer widely different explanations for it. Because of the constraints of time and space, this essay will deal with three of the main theories of regional integration: intergovernmental institutionalism, neo-functionalism and multi-level governance. None of these integration theories offers a coherent and conclusive explanation for the processes of regional economic and political integration in Europe, but each theory is capable of solving a part of the puzzle that is European integration. This point of departure is well in line with Ben Rosamond's argument that "[t]he EU and the processes of European integration are just too complex to be captured by a single theoretical prospectus" (2000: 7).

It is this essay's purpose to point to the explanatory strengths and take out some of the dogmatic weaknesses of these theories, as well as point to how this regional integration literature might elucidate the limited regional integration in other areas of the world. The first section of the essay will deal with the three central tenets of intergovernmental institutionalism, namely the primacy of intergovernmental bargaining, lowest-common-denominator bargaining and the preservation of sovereignty, and will conclude that only the first tenet can be used to provide an adequate explanation of certain crucial moments of the European integration process, albeit only when taking into account social learning and the constitutive effects of international/supranational organisations. The second section argues that the neo-functionalist concept of functional spillover has its merits in explaining certain outcomes of the integration process, especially in less controversial issue areas, but that it cannot account for the many hiccups along the way. The third section on multi-level governance points to the importance of supranational institutions in most (day-to-day) decision making and the importance of understanding the interplay between supranational institutions and state and society actors. The fourth section briefly explores why regional integration in other regions has proceeded at a much slower pace than in Europe.

Rosamond does well to point out "the widespread disposal of 'grand theory' and the migration of theoretical work to 'middle range'" in European studies. The conclusion of this essay will necessarily be that any 'grand theory' is (as of yet) unsatisfactory in its explanation of the European integration process (126). Yet, the sum of these middle range theories – which in my opinion can include intergovernmental institutionalism and neo-functionalism if we see past certain dogmatic elements of these theories and further see them as pertaining to specific phases and issue-areas of European integration instead of being grand theories that aim to explain the whole of European integration – can offer the best explanation of European integration to date.

### **Intergovernmental Institutionalism – Explaining the 'Ups' and 'Downs'**

Andrew Moravcsik argues forcefully in his article *Negotiating the Single European Act: national interests and conventional statecraft in the European Community* that the negotiations leading up to the signing of the Single European Act (SEA) can be characterised by intergovernmental bargaining between the three major EC member

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states: France, Germany and the United Kingdom. Many of Moravcsik's points have merit, but – as will be argued in detail below – he fails to deal with the effects of social learning on interest formation and the constitutive effects of international/supranational organisations. Still, he demonstrates convincingly that in the case of the SEA transnational business interests did not initiate but rather followed policy-making and that, while supranational authority (e.g. the European Commission) “may have contributed to the remarkable speed of decision making,” the substance of policies was almost invariably proposed and negotiated by the heads of government (Moravcsik 1991: 46).

Intergovernmental institutionalism's assumption of the prime importance of intergovernmental bargaining in the process of European integration provides a good vantage point to explain certain periods and processes of European integration, especially when they involve contentious areas of 'high politics'. Intergovernmental bargaining seems to have been the main mechanism behind the initiation of European integration through the European Coal and Steel Community (ECSC) – based for a large part on recognition by states that future wars in continental Europe must be avoided. It can also account for the periods of Euro-scepticism that have at times stalled the integration process or in certain instances even reversed integration (for instance the reassertion of national sovereignty as embodied by the Luxembourg Compromise after the resurgence of French nationalism under Charles de Gaulle). Finally, as Moravcsik has shown, intergovernmental bargaining has been the main impetus behind 'treaty making'. However, intergovernmental institutionalism does not fully account for the 'in-between' of these 'ups' and 'downs' – the deepening of European integration in certain issue areas and the broadening of European integration to new issue areas as well as countries; as is argued below, here the theoretical assumptions of neo-functionalism and multi-level governance may allow for better explanations.

Moreover, the two other main assumptions of intergovernmental institutionalism, namely the precedence of “lowest-common-denominator bargaining [between the big states and the 'buying off' of smaller states with side-payments], and strict limits on future transfers of sovereignty,” do not sit well with empirical observations of the integration process as well as established theory on negotiation and international organisation (Moravcsik 1991: 25). These assumptions must be abandoned if intergovernmental institutionalism is to adequately explain the crucial points in European integration that it seems well equipped for.

Moravcsik argues that only the threat of exclusion from the integration process can result in a compromise above the lowest-common-denominator. Yet this is not true. Marks, Hooghe and Blank do well to point out that certain decisions, such as on harmonisation, cannot be characterised as lowest-common-denominator decisions since they are by their very nature zero-sum, involving 'winners' and 'losers' (1996: 346). Additionally and importantly, while Moravcsik opens up the 'black box' of the state by seeing interests and resulting policy goals as being “determined by [the] domestic political system and by the preferences of policy makers, technocrats, political parties and interest groups,” he does not account adequately for the *process* of interest formation, since he excludes negotiations and other interactions in the European arena from his analysis – thereby ignoring the influences of social learning and the constitutive effects of international/supranational organisations (plus he ignores the larger issue that interests may change as the result of previous integration, thereby excluding spill-over effects from his analysis) (1991: 26). Firstly, it is a well-known fact among international negotiation theorists that in repeated negotiations amongst a small number of individuals (as is the case in the Council of Ministers as well as the European Council) social learning through the processes of argumentative persuasion can influence actors' interests and their perceptions of their interests; hence the negotiation process can create a higher lowest-common-denominator as well as make compromises above the level of the lowest-common-denominator possible. Insulation of the decision making process and “feelings of group identity” produced by repeated interaction in the Council of Ministers or the European Council create the possibility that persuasion can be a means to change interests and identities in a social learning process (Checkel 2001: 560). Additionally, Rosamond points out that the institutional memories of these bodies plus the fact that members of these bodies are often in the same positions in domestic politics vis-à-vis other ministers are likely to influence negotiations, changing interests and perceptions of interests (2000: 6). Secondly, Moravcsik ignores the constitutive effects of international and supranational organisations when he argues that intergovernmental institutionalism is based on the assumption that “[i]nternational regimes [and subsequently also international and supranational organisations] shape interstate politics by providing a common frame-work that reduces the uncertainty and transaction costs of interstate interactions” (1991: 27). Hasenclever, Mayer and Rittberger show convincingly in their discussion of 'weak

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cognitivist' knowledge-based theories of international regimes that new understandings emanating from participation in regimes can not only make states alter strategies, but can also make them "redefine the very content of national interest" (1997: 145). Barnett and Finnemore have convincingly argued that international organisations (such as the EC and later EU) are bureaucracies that create rules, which are used "not only to regulate but also to constitute and construct the social world" creating new interests for actors (2004: 3). 'Strong cognitivists' go even further in arguing that Olsen's public action theory's "logic of appropriateness" often governs interaction instead of mere rational cost-benefit analysis (Hasenclever, Mayer and Rittberger: 155-156). In conclusion, participation in the European arena changes interests and can not only raise the level of the lowest-common-denominator, but may in many cases result in non-lowest-common-denominator bargaining (especially when states know that a concession will be reciprocated in the future).

In the case of future transfers of authority, it is untrue that states "avoid granting open-ended authority to central institutions that might infringe on their sovereignty" (Moravcsik 1991: 27). The evolution of the European Court of Justice towards a *de facto* European 'Supreme Court' is exactly the result of the granting of open-ended authority and has resulted in severe restraints on national sovereignty in many areas of law-making (as can be seen in the landmark *Cassis de Dijon* case). The same could be argued for the creation of the European Commission, which was intentionally given an interpretable mandate so that it could function properly – which is in line with Barnett and Finnemore's argument that international organisations "must be autonomous actors in some ways simply to fulfil their delegated tasks" (2004: 22). In fact, multi-level governance literature points to the likelihood that states may actually *want* to give up sovereignty to a supranational level because "the political benefits may outweigh the costs of losing political control or there may be intrinsic benefits having to do with shifting responsibility for unpopular decisions or insulating decision-making from domestic pressures" (Marks, Hooghe and Blank 1996: 348-349). States should be regarded not only as ends but also as means "to a variety of ends" (Marks, Hooghe and Blank 1996: 371).

As becomes clear from this discussion, intergovernmental bargaining has great explanatory value concerning key moments of European integration. However, we should recognise that intergovernmental bargaining does not revolve solely around domestic interests, but also involves the processes of social learning and the effects of participation in the European arena (the constitutive effects of the EC/EU). Furthermore, intergovernmental bargaining is very often not lowest-common-denominator bargaining and often involves an intentional or unintentional relinquishing of state sovereignty.

## Neo-functionalism – Explaining Deepening and Broadening

Even though by the mid 1970s neo-functionalism's main proponent, Ernst Haas, had declared the theory "obsolescent", the theory still provides useful insights into the European integration process – especially through its emphasis on spillover effects (1975). While Haas rightfully critiqued neo-functionalism's one-sided focus by arguing that the EC should be seen as a complex political system (rather than an integration project) and that external factors should also be taken into account, these criticisms do not seem to touch the core of the neo-functionalist argument that "the integration of particular economic sectors will create functional pressures for the integration of related economic sectors," (especially when 'cultivated' by a supranational authority – like the Commission – and by the shift of loyalties of societal interests to this authority) which in turn will "create the need for further European institutionalisation" and "political integration" (Rosamond 2000: 51-52).

The concept of spillover refers to "a situation in which a given action, related to a specific goal, creates a situation in which the original goal can be assured only by taking further actions, which in turn create a further condition and a need for more action and so forth" (Lindberg 1963: 10). Rosamond argues that "[i]n short, and on the face of it, the processes of functional spillover can be used to explain the historical transition from ECSC to Economic and Monetary Union" (Rosamond 2000: 60). As argued by critic Roger Hansen, especially in less controversial areas of 'low politics' the concept of economic (but cultivated) spillover can provide a plausible account of European integration (1969). There is little doubt that integration in one issue area provides incentives for policy-makers to consider (and feel the need for) integration in another issue area. In an often cited example, integration through the creation of a common market (and all the related integration in other issue areas, which is in itself a spillover effect) made it not only sensible, but also essential to consider something like the SEA and, subsequently, the adaptation of

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the SEA made it sensible to talk about Economic and Monetary Union. Spillover can account for much of the deepening and broadening of European integration.

Still, even after the introduction of counter-integrationary actor strategies such as spill-back into neo-functional theory, the theory cannot explain why these counter-integrationary strategies arose; in other words it cannot explain why there were so many hiccups along the way – whereas, as noted above intergovernmental institutionalism can, at least to a certain degree. Additionally, for explaining integration in more controversial areas of ‘high politics’ and explaining the linkage between integration in ‘low politics’ and ‘high politics’, neo-functionalism often comes up short. As noted by Joseph Nye, spillover is a limited tool that explains certain processes of integration but cannot account for others and ignores for instance the influence of perceptions of equity of distributions of benefits and costs of integration, common perceptions of external threats, the costs of integration and specific historical context (1965). Furthermore, “[t]o be accomplished, political spillover – in whatever form it took – would require a process of loyalty transference” of elites and significant groups in society (Rosamond 2000: 63). This transference rests on the dubious assumptions that these groups recognise that the regional organisation provides for welfare needs and that these groups will easily transfer their loyalties (Lodge, 1978). Finally, neo-functionalism rests on the unrealistic and perhaps in a sense idealistic assumption that “public policy-making consist[s] predominantly of the ‘administration’ of things” (Rosamond 2000: 58). While, as we shall see below, the proponents of the ‘theory’ of multi-level governance agree with neo-functionalists that perhaps the satisfaction of welfare and material needs (and not necessarily the retention of state sovereignty) are at issue in the European integration process, the former attach far greater importance to the political nature of governance (integration) and the context in which this occurs, and rightly so. Still, we should not forget that the concept of spillover has its value: it can be used to explain much of the deepening and broadening of European integration.

## Multi-level Governance – Explaining the Role of Supranational Institutions

According to the multi-level governance mantra, “European integration is a polity creating process in which authority and policy-making influence are shared across multiple levels of government – subnational, national and supranational” (Marks, Hooghe and Blank 1996: 342). Like neo-functionalism, the multi-level governance perspective points observers of the European integration process to the importance of supranational institutions in many – if not all – issue areas associated with the integration process, but at the same time takes more note of the influence of state elites. Before discussing multi-level governance in greater detail, it is worthy to point to Rosamond’s insight that multi-level governance is “more metaphor than theory, which allows alternative theoretical accounts to colonise it” hence making it possible to include both intergovernmentalist and neo-functionalist elements in a single framework (2000: 197).

Marks, Hooghe and Blank argue that “[e]ven collectively, state executives do not determine the European agenda because they are unable to control the supranational institutions they have created at the European level” (1996: 372). While the Council of Ministers and the Commission are not on a par, “neither can their relationship be understood in principal-agent terms” since the Council of Ministers relies on the Commission for agenda-setting, forging compromises and supervision of compliance (Marks, Hooghe and Blank 1996: 372). Marks, Hooghe and Blank accredit this reliance to the proliferation of issues to be dealt with by the Council of Ministers, the number of states involved in decision making and the mutual distrust among them, as well as technical and specialised nature of policy-making (1996: 354-355). Furthermore, the Council of Ministers has to share decision making competencies with the European Parliament in certain policy areas through the practices of co-decision, assent and consultation.

In general, the authors’ argument that EC/EU policy-making has been characterised by “mutual dependence, complementary functions and overlapping competencies” rings true (Marks, Hooghe and Blank 1996: 372). The supranational institutions of the EU, in particular the Commission and the Parliament, have a great deal of independent influence on the process of policy formation – especially in day-to-day policy-making in less controversial issue areas or issue areas that states are unwilling or unable to deal with. However, as mentioned above, not multi-level governance, but intergovernmental bargaining characterises certain important and controversial decisions in the history of European integration, such as the Luxembourg Compromise and the SEA. This run counter to Mark, Hooghe and Blank’s assertion that “[i]ndividual state sovereignty is diluted in the EU by

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collective decision making among national governments and by the autonomous role of the European Parliament, the European Commission, and the European Court of Justice" (1996: 342-343). It often is, but not always: states do (try to) (re)assert their authority at key moments in the European integration process, such as treaty revisions, and Moravcsik has demonstrated that the role of supranational institutions and transnationally organised interest groups in such decisions can be minimal (Marks, Hooghe and Blank allude to this in saying that "[t]reaty making is the realm of negotiation among national leaders, the national veto, and side payments") (1996: 352). Additionally, one should note that although perhaps states do not have a realistic option of pulling out of the EU, Charles de Gaulle and Thatcher have shown that it is possible for states to throw in their weight in such a way as to halt integration until demands are met. However, one should not forget that this intergovernmental bargaining is conditioned by social learning and the constitutive powers of the (supranational) institutions of the EC/EU.

## Regional Integration Outside Europe

Why has regional integration proceeded at a slower pace in Asia, the Pacific Basin, Africa, Latin America and North America? To quote Ben Rosamond, European integration occurred at the backdrop of the "particularly extraordinary political circumstances" of the rebuilding of Europe after the destruction caused by two World Wars and of the ensuing Cold War (2000: 54). Pressures exerted by the desire to eliminate war in Europe and pressures by external actors were important impetuses for regional integration (which, incidentally, are not adequately covered by the three aforementioned theories). The context of the end of the Second World War and Western Europe's strategic position in the Cold War led to United States to advocate European integration – and the pressure exerted in this regard has been far greater than in any other region.

Yet, while one should keep in mind the uniqueness of the European case, integration theory can still speculate on some explanations for the slow pace of regional integration outside Europe. In his neo-functionalist days, Leon Lindberg suggested that certain conditions must be met before political integration is possible: (1) regional-level institutions and policies must be present, (2) these institutions should have been delegated authority to initiate social and economic processes, (3) "the tasks assigned to the institutions should [...] be inherently expansive" and (4) the participating states have "to perceive some congruence between their interests and the project associated with the new institutions and common policies" (Rosamond 2000: 59). One can easily observe that in *all* cases of regional integration outside Europe the second and third conditions are not met (since cooperation remains firmly intergovernmental with a minimal role for secretariats) and that in most cases the fourth condition is not met (elites in for instance ASEAN and MERCOSUR countries have quite different worldviews, especially when it comes to matters of economic policy). This does not bode well for regional political integration across the globe. In similar vain, Haas and Schmitter created a three-stage model of integration conditions. The background conditions favourable to regional integration included small size of the unit, high rate of economic transactions between units, political pluralism in units and shared elite ideology among units. When applying this model to schemes of regional integration, Haas and Schmitter – unsurprisingly – found that only in the European case conditions were favourable.

Others such as Walter Mattli have argued that "the impetus for integration is rooted amongst market actors" and that integration is unlikely without sufficient market demand and an active regional hegemon that is willing to lead integration (Rosamond 2000: 184). The question remains here why market actors would favour integration in Europe and not in other regions; and why regional hegemons are less willing to take the lead in other regions of the world. Finally, scholars who see regional integration as a response to the pressures of increasing globalisation should have a hard time explaining why Europe has integrated much more rapidly than other regions, since globalisation has affected most regions in a dramatic way.

## Conclusions

This essay suggests that if one were to pose the question 'what theories of regional integration best explain the European experience to date' the answer would be 'none of them'. Yet, at the same time each theory seems to hold part of the truth and is capable of explaining part of the integration process. Intergovernmental institutionalism, when it takes into account the effects of social learning and the constitutive effects of international/supranational organisations, seems best suited to explain history-making moments of European integration – the beginning, the

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crises and the treaty revisions (i.e the 'ups' and 'downs'). The neo-functionalist notion of spillover has much explanatory power for the 'in-between' and may explain why European integration has been so much deeper and broader than other regional integration projects. Multi-level governance rightfully points to the importance of supranational institutions in European integration, especially concerning the day-to-day decision-making in the EC/EU.

What does this tell us for future projects of regional integration outside Europe? Sadly, not much. Neo-functionalists have speculated on certain background conditions for political integration, pointing to the importance of institutions with 'expansive' mandates as well as the importance of interaction and shared values. However, the European case may well be 'unique' and allow few generalisations beyond it.

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