

On Cores and Coalitions in the European Union

The Position of Some Smaller
Member States

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1 Editor's Introduction

With the opening of the Intergovernmental Conference (IGC) on 14 February 2000 in Brussels, the thinking on the institutional future of the European Union's reform again gained momentum, not only in the proper framework of the IGC, but also, and perhaps more importantly, in the media and capitals of Europe. Over the past year the fifteen EU governments have presented more or less elaborate proposals for the Treaty of Nice, besides the reports from the EU institutions. Numerous experts, think tanks, advisory groups and (ex-)political leaders have joined the reflection work on Europe's future set-up, often with ideas going far beyond the rather restricted agenda of the IGC. The speech by Joschka Fischer at the Humboldt University in Berlin (on 12 May 2000) was in this respect representative of the scope and depth of the current European debate, which obviously is not just about leftovers, but about the very fundamentals of the nature, direction, and speed of the integration process as well.

Coeur and contre-coeur

A recurrent feature in this debate is the proposals to create in the years ahead 'cores', 'avant-gardes', 'directorates' or 'inner circles' in the European Union. Fischer, for instance, has launched the idea of a *Gravitationszentrum* (centre of gravity). He has pointed out that if a closer federal structure cannot be realized by all member states at the same time, one might create first a smaller, but non-exclusive, core group in the European Union, with its own (temporary) constitution. Such a core should preserve the community legal order and the *acquis communautaire* in an expanding Union, and must develop further initiatives to deepen the integration process.

Chirac, in his reply to Fischer (on 27 June 2000 in the Bundestag), also referred to the necessity of creating a 'pioneering group' in the EU, echoing similar

ideas to Jacques Delors.¹ In institutional terms his proposal went less far than that of Fischer. He suggested not a separate treaty for the pioneering group, but, in the best of French traditions, only a 'permanent secretariat'. Chirac strongly repeated his preference for an avant-garde in Dresden, on the occasion to mark the tenth anniversary of German unification (3 October 2000).²

For obvious reasons, neither Fischer nor Chirac could mention names or numbers. Others, however, are less prudent in this regard. Giscard and Schmidt, for instance, have pleaded openly for a core group of the six founding members of the Communities.³ Likewise, Karl Lamers, the foreign policy spokesman of the CDU faction in the Bundestag has argued for a *Neugründung* (refoundation) of the Union by the original Six.⁴ The Italian Foreign Minister Lamberto Dini has openly supported this idea of a core of six.⁵ After the Danish 'nej' of 28 September 2000 these proposals once more received considerable attention in the European media, and, needless to say, quite adverse reactions in a number of 'outer' capitals.⁶ Tony Blair has published joint statements with his Swedish and Spanish colleagues in an obvious attempt to stem the tide of the (federal) core proposals.⁷

In itself the controversy is not entirely new. Core formulas are a standard tune in the broad repertoire of differentiated integration or flexibility.⁸ The concept knows many shades (formal-informal, fixed-variable, open-exclusive), and the boundaries with other forms of flexibility (two-speed, variable geometry, directorate, concentric circles, flying geese, etc.) are not always sharp. A core group differs from a 'directorate' in that this encompasses usually only the larger states, and from 'inner circle', which has essentially an informal and temporary connotation. A core is also more than a structured bilateral relationship, or more than 'closer cooperation' in a carefully defined, but rather limited, policy field, as stipulated in the celebrated paragraphs on *coopération renforcée* in the Treaty of Amsterdam. But there is no standard definition, let alone any political agreement,

1) For the ideas of Delors, see, for instance, *Le Monde*, 19 January 2000.

2) *Financial Times*, 4 October 2000.

3) *Le Figaro*, 11 April 2000.

4) *NRC Handelsblad*, 12 February 2000.

5) *Le Monde*, 27 May 2000.

6) *De Volkskrant*, 27 October 2000.

7) *Financial Times*, 13 June 2000 and 20 September 2000.

8) The literature on this subject is vast. A few useful titles include: Claus Dieter Ehlermann, *Differentiation, Flexibility, Closer Cooperation: The New Provisions of the Amsterdam Treaty* (Florence: European University Institute, 1998); Geoffrey Edwards and Eric Philippart (eds), *Flexibility and the Treaty of Amsterdam* (Cambridge: Centre for European Legal Studies, 1997); A.A.M. Schrauwen (ed.), *Flexibility in Constitutions: Forms of Closer Cooperation in Federal and non-federal Settings* (Amsterdam: Hogendorp Centre for European Constitutional Studies, 1999); Antonio Missiroli, *CFSP, Defence and Flexibility* (Paris: Institute for Security Studies, 2000); Eric Philippart and Monika Sie Dhian Ho, *The Pros and Cons of 'Closer Cooperation' within the EU* (The Hague: Scientific Council for Government Policy, 2000).

on its significance for the integration process. Usually it centres on a more or less formalized arrangement for a smaller group of EU member states taking the lead with further deepening of the integration process in substantial policy areas.

The post-war history of European integration is quite familiar with the phenomenon.⁹ The EC of the Six from the beginning formed a core in the broader pattern of European and Atlantic cooperation, setting themselves apart from the 'outer' Seven of the European Free Trade Association (EFTA), and the various limited-purpose organizations such as the early Organization for European Economic Cooperation (OEEC), the Council of Europe, or the Western European Union (WEU). Inside the circle of the Six, some member states (France, Germany and the Benelux) performed additional core functions, although outside the legal EC framework. For the time being these did not distract, however, from the idea of a uniform single-speed integration process. Flexibility, then, has never been absent in Europe, but in the early years it was practised among *different* international organizations, and therefore entailed no great legal and political difficulties.

This changed with the steady geographical and functional expansion of the EC and EU. Because of the entry of new member states, and the addition of new pillars and policy areas to the internal market, the idea of a uniform and single-speed integration process of the EU became more difficult to maintain. Enlargement has not only brought new members to the EU, but, in a way, also their 'outer' European organizations: EFTA, Benelux, Schengen, the European Economic Area (EEA), the WEU, and perhaps next the Council of Europe are good examples. One by one these organizations were swallowed by the EU, but their rules, regimes and interests have partly survived, be it now in a 'single' legal and political setting. Flexibility could no longer be practised among different organizations, but became henceforth a task *within* a larger EU, with all the complications for the integration process. Already a quarter of a century ago, Tindemans did the kick-off for the newly required formulas ('those states which are able to progress have a duty to forge ahead'). In Maastricht the idea became operational, be it largely in a negative way, through the various opting-ins and -outs of Denmark and the United Kingdom. With the Treaty of Amsterdam the concept of two-speed Europe has become legally of age, albeit under the very restrictive conditions of *coopération renforcée* in the various pillars.

The core idea became a more pressing political problem by the mid-1990s. It caused considerable alarm during the preparations for the Treaty of Amsterdam and the third stage of EMU. In 1994 Karl Lamers and his CDU colleague Wolfgang Schauble published their celebrated proposal for a *feste Kern (noyau dur)* in the European Union. They explicitly had in mind France, Germany, and the Benelux, much to the annoyance of Italy and the United Kingdom. The British Prime Minister John Major countered the German proposal with a speech at

9) Compare Jonathan Story, 'The Idea of the Core: The dialectics of History and Space', in: Geoffrey Edwards and Alfred Pijpers (eds), *The Politics of European Treaty Reform* (London and Washington: Pinter, 1997), pp. 15 - 43.

Leiden in September 1994, just as Tony Blair has visibly sought support in Madrid and Stockholm after the speeches of Fischer and Chirac.

But the idea did not materialize in the 1990s. The German proposals of 1994 were mainly prompted by the assumption that only a small group of states could qualify for the third stage of EMU (enlargement was not the main concern of Lamers and Schauble). Tactical reasons (pressure on Italy and others to comply with the convergence criteria) played a part as well. However, when it became clear in spring 1998 that a large majority of eleven members was eligible for the euro, the urgency of a core formula withered away. The new flexibility paragraphs in the Treaty of Amsterdam had also dampened the voices calling for more or less exclusive core groups.

But it is not by chance that in the run-up to Nice the idea has popped up again. Although the exact time schedule of enlargement remains elusive, the European Council of Helsinki (9-10 December 1999), where it was decided to start accession negotiations with six additional east European countries (and to nominate Turkey as the thirteenth candidate member), signalled that the process itself is irreversible. The uncertainties surrounding the euro, and the general confusion about the course of the integration process, have strengthened the tendency to seek refuge in the familiar inner circles of the past. As at previous occasions, tactical arguments also played a role. The French EU presidency in particular has wielded the core-stick in order to safeguard at least the precarious leftover agenda of the IGC, and to press for more lenient flexibility clauses in the new Treaty of Nice.

Shifting Coalitions and Network Europe

Core group thinking along more or less federal lines is, however, not the only game in town. The present European debate is also marked by ideas running partly in quite an opposite direction. Many academics and practitioners argue that the effectiveness of the European Union should not only be enhanced through reform of the Community structures, but also by deliberately upgrading the intergovernmental nature of the Union, and more specifically the direct bilateral links between the member states.

Over the past decade decision-making in the EU has shifted away, in their view, from the community method to a variety of intergovernmental techniques. The European Council has gradually gained the upper hand in deciding the main strategies of the Union. The most important decisions are taken by the heads of state and government, and are often pre-cooked in bi- or trilateral deals between the major capitals of Europe, with a concomitant reduction in the influence of other Community institutions. The steady expansion of EU membership has led to an increasing necessity for coalition-building and bilateral consultations in the earlier stages of the European political process. The same holds true for the IGCs, almost a semi-permanent feature in European politics, where far-reaching decisions are being taken on the future of the Union, after intense rounds of

bilateral consultations that are largely outside the purview of the Community institutions. 'Neobilateralism', 'network-Europe', integration via 'shifting coalitions' and informal techniques like 'peer pressure' or 'benchmarking' have become the new competitors of the classical Community method.

Against this backdrop of (informal) intergovernmentalism and neobilateralism the position of the European Commission has come under heavy fire. In the past the Commission could play the role of a catalyser in the integration process, particularly when its President had close links with Paris and Bonn, as was the case during Delors' ten-year stint. It is unlikely, however, that the member states will also allow it this role in the future set-up. The legislative programme for the internal market is now almost completed. In this large and central field of the Union an initiating role by the Commission has become less essential, although the expansion of qualified majority voting (QMV) as such gives the Commission more scope for independent legislation. The application of subsidiarity and of the co-decision rights of the European Parliament, however, have reduced the Commission's share in the legislative process of the Union. In areas such as asylum and immigration, the Commission has acquired new responsibilities, but the member states keep a very firm grip in these matters, much more than was the case with legislation for the internal market. It is estimated that of the present tasks of the Commission only one-quarter are devoted to the drafting of legislation, while the bulk are now executive. The new booming area of European cooperation – the creation of a European defence capacity – is completely dominated by the member states, particularly the larger ones. The High Representative for Common Security and Defence Policy (CSDP) relegates the Commissioner for External Affairs to second place. The internal administrative and financial reforms of Prodi and Kinnock are very helpful in improving the day-to-day performance of the Commission (and hopefully its public image), but they do not address the more fundamental constitutional, even existential, questions. Further enlargement will only reinforce intergovernmentalism, and exacerbate the problems for the Commission in this regard.

In the 'network' approach the Franco-German axis is no longer the centre of gravity for further integration. The relationship between London and Paris, Berlin and London, and other bilateral links are just as important. Even Schröder said at the beginning of his term in office that he no longer regards the relationship between Paris and Berlin as exclusive. France, too, conducts a regular dialogue with Italy and Spain, while the United Kingdom's Labour government has initiated a 'step change' for the bilateral links between London and various European capitals.¹⁰ The Franco-British declaration of St Malo (December 1998) was widely considered as a sign that the primacy of Franco-German cooperation has withered away.

In The Hague the new integration method is appreciated as well. According to Dutch State Secretary for European Affairs Dick Benschop, the focus on the

10) *British Embassy Press Release*, The Hague, 15 December 1998.

Community method must be supplemented with the concept of 'network Europe', where decisions in many fields are taken or prepared by 'shifting coalitions' among the fifteen governments, according to their national interests and preferences. Integration in his view does not only result from Community procedures, but is also realized through the informal techniques of 'benchmarking' and 'peer pressure'. The Dutch State Secretary has called the Franco-German axis a relic of the past.¹¹ It is perhaps illustrative of the decline of the Community orthodoxy that Francis Maude, the UK's Shadow Foreign Secretary, in a speech to the Conservative Party Conference in October 2000, used the same expression of 'network Europe' as a junior Minister for European Affairs from a country with a longstanding federal reputation. Even the European Commission seems infected by the new integration concepts. In a speech to the Paul-Henri Spaak Foundation in Brussels (11 October 2000), Romano Prodi said that 'we move towards a decentralized, networked form of policy-making and decision-making in the European Union'.

Despite these rather open (and vague) options of 'shifting coalitions' and 'network Europe', in certain areas we may also perceive inner circles, although of a somewhat different nature and composition than the proposed avant-gardes of Fischer and Chirac. Particularly in relation to the emerging European Security and Defence Policy, larger states tend to take the lead. In this context the term 'ad-hoc group' is often used, sometimes openly 'directorate'. 'EU-led' military operations are in the first place carried out by the larger states, so it is argued, and this has far-reaching consequences for decision-making in the Second Pillar, and some important effects for the First Pillar as well.

The Position of the Smaller Member States

The discussion on the future of the European Union thus centres partly on more or less informal strategies of European cooperation, going beyond the narrow institutional concerns of the IGC and the Treaty of Nice. Concepts such as 'core Europe' and 'ad-hoc committee', in particular, have a wider meaning than just the legal possibilities of *coopération renforcée*.

Although the smaller member states are not excluded from these less conventional proposals or practices of European cooperation, it may be argued that their position in the EU increasingly becomes a point of concern. Their representation in the EU institutions will be reduced, whatever the concrete result of the Treaty of Nice. The European Council is by definition dominated by the heads of government or state of the larger members; strengthening the position of this body also enhances their position. Direct deals among the member states made in 'shifting coalitions' may yield short-term gains, but in the long run they lack the protective shield of Community rules, which are considered so important

11) Benschop in *Elsevier*, 17 October 1998.

for most of the smaller countries. And, as said before, particularly in the area of the CSDP the smaller states are to lose ground. They may participate in various bilateral military frameworks (such as the UK-NL Amphibious Force and the German-Dutch Army Corps), and in peace-keeping operations, but it is rather obvious that the big three or four will get an important, partly exclusive, say in any serious military build-up of the EU.

The Purpose of this Study

The purpose of this collection of articles is to have a closer look into the present core and main coalition patterns in the European Union, with special attention for the position of certain medium-sized and smaller member states. We do not pretend to have approached the subject matter with any degree of completeness. The acrimonious debate on adapting the paragraphs on closer cooperation in the Treaty of Nice, for instance, is not covered. Nor have we tried to trace the numerous shifting coalition and voting patterns in the Council to any significant degree. This would have required a much larger research project.

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Part I Inner and Outer Circle

2 Berlin – Paris – London

Steven Everts

Introduction: A New Situation?

Many pundits stress that the role and influence of Germany, France and the United Kingdom inside the EU has increased significantly over the last decade. The argument that they advance runs more or less as follows: to an ever-growing extent, the 'big three' are setting the EU agenda and are distributing the plum jobs among themselves. This has supposedly weakened the EU's supranational institutions, particularly the Commission, and the influence of the smaller member states. In other words, the way in which the European political game is being played has changed. Relative power calculations more and more determine the nature of EU actions and policies. Accordingly, the legal equality of member states that is enshrined by the treaties is fast becoming a mere formality – because the real decisions have already been taken elsewhere.

Often linked to this argument is the assertion that the Franco-German axis has lost most of its power and relevance. As Charles Grant argues: '...the Franco-German alliance, the dominant force in EU politics for the past 35 years, is probably in a shakier state than at any time since de Gaulle and Adenauer stitched it together.'¹ The weakening of the Franco-German axis is blamed for a 'leadership vacuum' in the EU. Many analysts agree that European politics have opened up and become more fluid. And it is the United Kingdom that is seen as the principal beneficiary of this trend. Since Tony Blair came to power, the United Kingdom has moved from the sidelines to the centre of the broader European debate. The net result of both – apparently contradictory – trends (the rise in influence of larger member states and the weakening of the Franco-German axis) suggests that a triumvirate of Germany, France and the United Kingdom is now leading the European project.

1) Charles Grant, *Can Britain lead in Europe?* (London: CER, 1998), p. 74.

Has this been the case, or is this view the product of a superficial analysis? If it has been the case, is it likely to continue, because it was driven by structural and not cyclical forces? And what are the implications, both for the respective roles of small and large member states, and for the EU as a whole?

Before turning to an analytical discussion of, first, factors supporting and, second, arguments refuting this view, it needs to be emphasized that the focus in this chapter will be on the relative influence of Germany, France and the United Kingdom (the so-called ‘big three’) versus the other EU member states. While Spain and Italy (and, after enlargement, Poland) can certainly be labelled ‘large’ member states, they do not belong to the same category as the ‘big three’, or at least are not often seen as doing so. Also, the broader question of the interplay between large and small member states finds its most salient expression in the relationship of the ‘big three’ versus the rest. That is why an analysis of the ‘big three’ versus the rest should be set in the wider context of large versus small.

The Arguments in Favour: Factors Confirming a Leading Role for the ‘Big Three’

The End of the Cold War

Talk about a growing influence of Paris and Bonn/Berlin dates back to the early 1990s.² It thus broadly corresponded in time with the end of the Cold War. And because the nature and direction of the process of European integration has often been labelled a product of the Cold War, this could be more than a mere coincidence.³ Many analysts have long stressed that the twin effects of the Soviet threat and US leadership of the West had produced the circumstances under which the West European countries could set aside their competitive rivalries and embark on the process of functional integration. In this view, the former Soviet Union and the US are the ‘godfathers’ of Jean Monnet’s audacious schemes.

It is clear that the forward presence of Soviet troops combined with the perceived intentions of the Soviet leadership had a powerful disciplining effect on West Europeans. Faced with such a danger, everything else had to be set aside, notably the pursuit of old-style European ‘Great Power’ rivalry. International Relations scholars have long stressed that an external threat has such unifying effects. That is true for individual states, as it is for similarly situated groups of states.

To be sure, this pressure to coalesce did not mean that agreement within the Western camp on *how* to deal with the former Soviet Union was complete or came about automatically. Far from it. Consider the open disagreements over *Ostpolitik*,

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- 2) A perceived greater role for London was, understandably, conditional upon the election of a new, more pro-European government in May 1997.
 - 3) The classic text on this topic remains André De Porte, *Europe between the Superpowers: The Enduring Balance* (New Haven: Yale University Press, 1986).

or NATO strategy on intermediate nuclear forces (INF) deployment. But it was true that the Soviet threat set certain limits on how serious such disputes were allowed to become.

Likewise, the presence of an all-powerful, external friend can have a dampening effect. The preponderance of the US and its choice after 1945 to remain actively engaged in European affairs helped to keep intra-European rivalry under wraps.⁴ For example, it helped to create the conditions under which Franco-German reconciliation could take place. Therefore, the US did not just encourage the process of European integration as a precondition for Marshall aid and, more broadly, to make the West Europeans a stronger ally in the Cold War struggle. But especially in the early phase, the US made this very process possible for the simple reason that its presence had a 'levelling effect' on power relations in Western Europe. Because the US was unquestionably the leader of the Western camp and because it guaranteed Western Europe's security, it markedly lessened the levels of suspicion and antagonism among Europeans.

US dominance also affected the interplay between 'big' and 'small' in Europe. These 'levelling' consequences of US engagement were sensed and seized upon most strongly by smaller European states such as the Netherlands and Denmark. The strong Atlanticist outlook of Dutch foreign policy during the Cold War was, at least in part, driven by the assumption that by constantly stressing the virtues of US leadership, *all* European states would be relegated to the *same* second tier. Even if this reasoning was partly the product of wishful thinking, it did, as with most clichés, contain an element of truth.

Now, remove either the Soviet threat and/or make US 'leadership' more selective, and the game of competitive rivalry among European states can recommence. External changes have internal repercussions. Of course, there is no automatic, one-on-one link between changes in the international system and the nature of European politics. But the sense of direction is clear. It points towards the greater assertion and influence of the traditional 'powers' in Europe: Germany, France and the United Kingdom.

EU Enlargements and Europe's New Projects

The influence of the 'big three' has also been boosted by a change in the number of member states and in the nature of the integration process per se. To discuss these changes, a historical detour is necessary. From its inception in 1951 and for about twenty years since then, the European Coal and Steel Community (ECSC) and later the European Economic Community (EEC) had a low *and* stable number of member states which moreover constituted a fairly homogeneous group. This was the formative phase in the process of European integration. It was the time when

4) On the centrality of the American security guarantee to West European integration, see for instance Geir Lundestad, *Empire by Invitation: The United States and European Integration 1945-1997* (Oxford: Oxford University Press, 1998).

the Six (France, West Germany, Italy, Belgium, the Netherlands and Luxembourg – itself a careful balance of large and small) determined the EEC's goals and institutional make-up. Some of the most important aspects of the EU have their origins in this phase. Consider the 'Community method' which enshrines the Commission's sole right of initiative, or the Common Agricultural Policy, or the European Community's tendency to use economic or technical means towards grander, political ends.

The paradox has always been that the technocratic nature of the integration process, which eschewed power politics, allowed the EEC to achieve highly political objectives (for example, the reconciliation between France and West Germany). And in this phase, the role of smaller countries such as Belgium and the Netherlands was crucial (witness their respective contributions such as the Spaak Committee or the Beyen Plan).

Accordingly, the integration process was at this stage in no way dominated by the 'big three'. The United Kingdom was not even a member. And West Germany still felt that it had to keep a low profile. France was of course very powerful. But Italy, the Netherlands and Belgium were, with West German support, quite capable of limiting its sometimes overbearing influence (witness the outcomes of the negotiations on the Fouchet Plan).

Only in 1973 did the EC first accept new members (the United Kingdom, Denmark and Ireland). Subsequent enlargements in 1981 (Greece), 1986 (Spain and Portugal) and 1995 (Sweden, Finland and Austria) brought the total number of EU members to fifteen. This necessarily meant that the EU became a much more diverse collection of countries. In particular, enlargement has multiplied the variety of outlooks and state preferences that need to be reconciled before any EU actions or policy can be enacted.

While most EU member states are also members of the North Atlantic Treaty Organization (NATO), there are four that are not. While most EU member states are members of Economic and Monetary Union (EMU), there are four that are not. While most EU members are participating in the free movement of people sections of Schengen, there are two that are not. Similarly, there used to be a rough balance of three large and three small members in the old EEC, whereas there are now four or five (if Spain is included) large member states compared to ten or eleven smaller member states.

Both the rise in the number of smaller member states and the growing diversity caused by successive EU enlargements have made it 'logical' for the larger member states to try to compensate for the actual or perceived reduction of their influence. This is especially the case since the institution that previously had an effective agenda-setting capacity, the Commission, is less capable of performing a 'leadership role' (see below). In an enlarged EU the question of who is leading the project is becoming more acute. The risks of drift and paralysis are real. Hence the attempts, as some see them, of the 'big three' to fill the leadership vacuum.

In tandem with successive rounds of enlargement, the EU has also taken on new projects. In particular, the EU has become involved with sovereignty-sensitive projects that it had previously shunned. The two most obvious examples are

foreign and security policy, and lately also defence policy. Crucially, these overtly political projects also tend to be dominated in policy terms by the United Kingdom, France and, albeit to a lesser extent, Germany.

The revolutionary nature of EU involvement in these new areas is hard to exaggerate. For there has been a remarkable constancy in the EU's avoidance of so-called 'high politics' issues. While the EC's individual national governments were by the 1950s quite ready to pool sovereignty in clearly defined areas such as coal and steel production, they were decidedly *not* prepared to do so in the seemingly more sensitive field of security and defence policy. Historically, the conspicuous failure in 1954 of French plans for a European Defence Community (EDC) bears this assertion out. National governments, not least the French, remained adamant on preserving their autonomy in the defence field. Others, such as the Dutch, had decided that NATO (led by the US) was the only organization that should deal with security issues in Europe. Of course, the Europeans continued to talk among themselves about security and defence policy. But at no time did these discussions translate themselves into serious efforts to construct a meaningful European defence policy. Similarly, cooperation on foreign policy, when it did get underway in the mid-1970s (in the form of European Political Cooperation) was slow, reactive and a perpetual hostage to lowest common denominator decision-making.

All this has changed. The end of the Cold War and, more noticeably yet, the EU's dealings with the wars in former Yugoslavia have ended its posture of self-denial in foreign and defence policy. Very few European politicians are now arguing that the EU should limit itself to internal affairs and that what happens in former Yugoslavia is somehow of no concern. Instead, Common Foreign and Security Policy (CFSP) and EU defence policy have, together with the euro, rapidly become the EU's commanding projects. External relations, including the military dimension, have very quickly moved centre-stage.

And what is clear is that in these growth areas, the 'big three', and especially France and the United Kingdom, are in the driving seat. CFSP and defence policy are therefore not 'just' set up intergovernmentally, which always tends to favour the larger member states. But the leading role for Paris, London (and increasingly also Berlin) is reinforced by their 'natural' strengths in these fields. After all, only they have developed a truly global, comprehensive foreign policy outlook and presence. The increased heterogeneity inside the EU also favours a pre-eminent role for the larger states in policy development. In the name of maintaining the EU's capacity to act and to thwart stagnation and paralysis, the 'big three' are often trying to take the lead. Although the role of Germany in the military field is still substantially different from that of the United Kingdom and France, Berlin is indispensable in diplomatic terms. And so informal, prior coordination on foreign and defence policy among the 'big three' is becoming an increasingly important aspect of EU politics. This does not mean that they have often steamrolled the smaller countries into actions that the latter opposed. But it does mean that they are trying to put a firmer stamp on the general pace and direction of CFSP and European Security and Defence Policy (ESDP).

A Power Shift away from the Commission in Favour of the Council

Another broad trend that supports the notion of the 'big three' having gained in influence in EU affairs has been the partial demise of the Commission since the departure of Jacques Delors. A powerful Commission and strong institutions in general have traditionally been a bulwark against actual or possible attempts by the larger member states to throw their weight around. Rightly or wrongly, the Commission is often seen as the 'natural ally' of the smaller member states.

More generally, most smaller member states have long emphasized that their positions are better safeguarded in a supranational model of integration, rather than in the uncertain world of intergovernmental cooperation.⁵ As the Dutch Ambassador to Germany, Peter van Walsum, once said: 'an intergovernmental system is, in the last analysis, no system: it is the law of the jungle'.

It therefore matters for the position of the smaller member states that the Council of Ministers has gained in influence during the 1990s relative to the Commission. The modus operandi of the EU in the growth areas such as CFSP, defence but also economic reform differs significantly from the old Community method.⁶ This method in terms of process consisted of an exclusive right of initiative for the Commission and precisely defined role for the European Parliament (EP) and the European Court of Justice (ECJ). In terms of substance, it relied upon centrally set legislation and the distribution of Community funds. In short, the old method consisted of the directive and money.

But now there is increasing talk of a New Model of European Integration, one that relies heavily on peer pressure, benchmarking, scoreboards and the exchange of best practice.⁷ And although the Commission plays an important role in these new fields, primarily through the collection and dispersion of information and the publication of reports, it no longer pushes the agenda. Instead, the Council has taken over as the EU's dominant institution. It is setting the overall direction for the EU and providing the mandate for subsequent Commission proposals and EU programmes. This trend has also been noticed by *The Economist*:

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- 5) Of course, this argument should not be taken too far. Country size is after all not a perfect indicator of institutional preference. Consider the opposite cases of Denmark and Germany. Still, most small member states recognize that intergovernmental cooperation offers fewer legal safeguards than the Community method.
 - 6) Part of the reason why integration in the growth areas is organized differently lies in the fact that most of these (CFSP, defence, justice and home affairs) are linked to concepts of sovereignty. And since populations across the EU care about sovereignty, albeit in different ways, there is a shared reluctance to put the Union's institutions in the driving seat when it comes to policy-making in these areas.
 - 7) Ben Hall, 'A New Model of European Integration', *CER Bulletin*, October-November 1998. See also speech by Dick Benschop, Dutch State Secretary for European Affairs, European Institute of Public Administration (EIPA), Maastricht, 5 November 1999.

‘The result is a basic shift in the model of European integration. It is no longer driven by the Commission, but by the desire of governments to do things themselves.’⁸

Of course, the Santer Commission was always weaker than its predecessor, the Delors Commission. Immediately after coming into office, Jacques Santer said that he wanted to do less, but do it better. On the whole, he stuck to the former, but not to the latter. Other than EMU, which was conceived under Delors, no new grand EU projects took off (or were planned) under Santer’s stewardship. Moreover, the unceremonious demise of the Santer Commission, amid allegations of corruption and mismanagement, tarnished the Commission’s broad reputation and hence its capacity to lead.

The principal beneficiary of this power shift has, as indicated, been the Council. The European Council in particular has grown into the principal forum for setting the EU’s overall priorities. And while there is perhaps no inherently compelling reason to conclude that a stronger (European) Council automatically means more influence for the larger member states, there is some reason to believe that it has worked out that way. It often seems that agreement *à quinze* is dependent on prior agreement *à trois*. And it is certainly true that *if* the ‘big three’ agree among themselves, then they will in all likelihood be able to prevail and push the EU forward. Even if in formal terms the European Council works by consensus, the relative influence of the ‘big three’ in forging that consensus appears to grow.

Accordingly, trilateral consultations can be useful to sustain EU momentum. After all, the diversity of interests that these three countries represent (free trade versus protectionism, Atlanticist versus Europeanist, Anglo-Saxon versus Rhineland economic model, widening versus deepening) is such that if they can agree on a text, the others can usually accept it. This tendency favours the ‘natural’ inclinations by the ‘big three’ to try, with varying degrees of success, to reach agreements in prior consultations, which can then be introduced into a wider setting. Consider for instance the joint British-French-German paper on immigration and asylum for the Tampere summit.

The New British Government

The election in 1997 of a new Labour government in the United Kingdom means that, in the eyes of the other EU states, the UK has become a ‘player’ again. While Tony Blair has kept the UK out of the first wave of EMU as well as outside the free movement of people provisions of Schengen, the tone that the new government has used to address both its continental partners and the EU itself has changed. Blair may never describe an EU policy as ‘the manifestation of our common European destiny’, as Dominique Strauss-Kahn said of the euro, but he is

8) *The Economist*, 23 October 1999.

committed to an essentially pro-European stance. He is a hard-nosed defender of perceived British interests, but he has realized that these interests are much better served by working with the other European governments and the Commission than by the self-congratulatory negativism that typified European policy-making under the Conservatives. At a minimum, the paranoia is gone. No longer is every EU plan or decision portrayed as a mortal attack on the proud independence of the island race.

What this change means is that the possibilities for coalition formation inside the EU have changed and increased. While this is of course true for all member states, it is even more true for France and Germany. These two are no longer condemned to each other because of British negativist aloofness. In these circumstances, a truly triangular relationship can emerge. Indeed, both before coming to power and since, Gerhard Schröder has talked of his desire to broaden the Franco-German axis and include the United Kingdom where relevant and appropriate.

Arguments Against: Factors Disputing a Leading Role for the 'Big Three'

Premature Obituary of the Franco-German Axis?

In so far as the argument rests on the perceived demise of the Franco-German relationship and its capacity to be the engine of the EU integration process, it should be stressed that the obituary of that relationship has been written many times before. But as Mark Twain could do with announcements regarding his own death, French and German politicians have each time been able to proclaim such reports as 'grossly exaggerated'. Confident assertions about an inevitable, imminent end to the Franco-German entente have often borne the hallmarks of wishful thinking, advanced by those who have their own agenda.

In the last category we should rank those British officials and commentators who have asserted periodically that the exclusive nature of that relationship would not, could not, last. Such confident claims often followed the election of a new government in London, or a public quarrel between the French and the Germans.

Yet at least up until now, these predictions have proved incorrect. For after each public row, the French and the German governments would patch things up and the process of intimate cooperation through institutionalized bargaining would recommence. In the end, however much they argue, the French and the Germans nearly always reach a compromise. Granted, some aspects of the Franco-German relationship have become ritualistic and often their declared 'complete agreement on policy' looks contrived. And true too, the Franco-German relationship is not without its fair share of ambivalence and ambiguity. But only the obstinate few can deny that this axis itself still represents the heart of the European debate, setting the tone and direction for the wider EU agenda (with the important exception of defence policy and possibly economic reform). Consider in

this respect their contributions for the Intergovernmental Conference (IGC) 2000, or their efforts to boost the effectiveness of euro-11.

One reason for this resilience has been the institutionalization of the Franco-German relationship. Institutionalizing bilateral ties does not just help to create a negotiating framework, but it also helps countries, via the 'shadow of the future', to get through inevitable periods of acrimony and stalemate. Another factor has been the sheer political commitment on both sides to make the relationship work despite the recurrence of serious policy disagreements. Each side has been prepared to sacrifice important interests if the other side is likewise prepared to make concessions. Both the Anglo-German and the Anglo-French relationship, let alone a purported Anglo-French-German triangle, lack these two key ingredients.

This conclusion does not, of course, mean that things cannot change. Nor does this mean that London does not (often) work closely with Paris on for instance defence or institutional issues, or that the British and the Germans do not team up on economic governance or trade liberalization. But it seems wise to recognize that of the three sides in the triangle, the one involving London is comparatively the weakest.

That the United Kingdom is, as yet, not in a comparably influential position as either France or Germany is also recognized by Tony Blair himself. Although there is a lot of talk, often intended for domestic consumption, of the United Kingdom 'leading the way' in the EU, Blair has acknowledged that in many ways this exercise of a 'leadership role' is an ambition, not an accomplished fact of political life. For instance, in an important speech on the United Kingdom's role in Europe, Blair spoke of his desire to see the United Kingdom acquiring a role in the EU that would match the influence of France and Germany *in ten years time*.⁹

Reassertion of the Prodi Commission, Entry of Mr CFSP

EU politics, like national politics, is characterized by an ebb and flow of contrasting trends. Years of EU sclerosis in certain fields are mixed with periods of dramatic progress in others. And while in certain cases the national leaders are mostly in the driving seat, the Union's institutions are setting the agenda in others. In such a fluid context it is best to avoid snap judgements. Received wisdoms often have a brief shelf-life.

Accordingly, while there is currently ample support for the notion that the Council of Ministers has been in the ascendancy *vis-à-vis* the Commission, this trend is perhaps subject to change. Indeed, the new Commission led by Romano Prodi, freshly endowed by the Amsterdam Treaty with new powers, is trying to reassert itself. The signs are that Prodi will be somewhere between Jacques Delors and Jacques Santer. While there are doubts regarding his leadership qualities and

9) Speech by Prime Minister Tony Blair, London Business School, 27 July 1999.

his political acumen, Prodi is certainly trying to be an activist Commission President.

If this is the ambition, then Prodi and his fellow Commissioners have to ensure that the Commission's performance in the field of managing EU spending programmes improves. Before coming to power – and ever since – he has rightly stressed the value of increased transparency, efficiency and accountability. And the Kinnock reforms all point in the right direction. If carefully implemented, these reforms should enable the Commission to reclaim some of the ground it lost as a pivotal player on the European stage.

In addition, the new Commission contains more political heavyweights than its predecessor. When the new Commission was selected, both national governments and Prodi made it clear that the Commission is no longer a suitable retirement home for national politicians who are passed their peak. Weak candidates, such as Alistair Goodlad from the UK, were rejected. And notably strong candidates obtained key portfolios (examples include Pascal Lamy for trade, Mario Monti for the single market, Chris Patten for CFSP and Günther Verheugen for enlargement). And since Prodi has extracted a promise from each Commissioner that s/he will resign if he asks them to, a repetition of the Cresson saga, which did so much to tarnish the Commission's reputation, will be avoided.

The EU's High Representative for Foreign Policy, Javier Solana, will also qualify and probably lessen a marked surge in leadership by the 'big three'. While it is true that on foreign and security policy, and especially in crises, the larger member states often take the lead, Solana is set to become a key player in the complex game of EU external relations. Of course, he will want to work closely with national governments. Not only will Mr CFSP need the political support of foreign ministers, but having only a small 'early warning and policy development' unit at his disposal, Solana will need the input from national ministries.

But in the coming years Mr CFSP stands to emerge as a substantial figure in international diplomacy, someone who can talk on equal terms to the foreign minister of China, Russia and the US. He is the Secretary-General of the WEU until it merges with the EU and he will chair the EU's new Political and Security Committee. In relation to the EU foreign ministers he will be able to exercise 'leadership' by using his informal agenda-setting powers, his persuasive qualities and, occasionally, by banging some heads together.¹⁰ If so, then it will be Solana who speaks for the EU in international fora and on CNN or BBC World. Accordingly, the profiles of Robin Cook, Hubert Védrine and Joschka Fischer will reduce, although of course not disappear.

In sum, both the reassertion of the Commission and the expected high-profile role for Mr CFSP mitigate the possibility of a joint leadership role for London, Paris and Berlin. And anyway this putative joint leadership is dependent on the existence or absence of a consensus among them. Although in themselves

10) See Charles Grant, 'EU 2010: An Optimistic Sketch of the Future' (London: CER, 2000).

these developments do not preclude a simultaneous assertion by the ‘big three’, they do make it necessary to qualify the often-heard inevitability of such trends.

The Resilience of the Community Method

The dominant image of an inexorable increase in power by the Council, and within that body by the ‘big three’, sits ill with another ongoing trend: the resilience of the Community method, at least in some important sub-fields. EU politics is a complex affair where paradoxes, ambiguity and a curious blend of different decision-making regimes abound. This reality of complexity warrants against oversimplification.

So, although there *has* been a new model of European integration (see above), there has also been a coexisting trend, shoring up the old Community method. For instance, some third pillar issues dealing with justice and home affairs (JHA) have been transferred to the first pillar. Although decision-making on asylum, immigration and border controls is still by unanimity, that is set to change over the next five years. And the next IGC, scheduled to be concluded under the French presidency with a new Treaty of Nice, is set to look at a (modest) extension of qualified majority voting in the first pillar. A probable scenario holds that future decision-making on, for instance, transport and industrial policy will be subject to qualified majority voting (QMV).

Put more generally, it seems unwise to underestimate the strength of the integration process *per se*. Each instance of enlargement has been accompanied by emphatic predictions that ‘widening’ would inevitably take place at the expense of deepening. But up until now such forewarnings have been exaggerated. Although we cannot know for certain how the EU would look had it never been enlarged, the significant deepening in recent years, notably the introduction of the euro, refutes the notion that widening *necessarily* puts an end to parallel deepening.

One way to explain this paradox might be to underline the inherent quality of the system of *engrenage* that typifies EU politics. *Engrenage* refers to the system of countless committees and councils in which national officials meet with representatives from the EU institutions to shape and reshape EU actions continuously. It is the world of Brussels where everyone is involved but nobody is clearly in charge. As William Wallace notes: ‘European governance is above all governance by committee: through multilateral negotiation, mutual accommodation, intensive and extensive consultations and exchanges of information.’¹¹ This unique system certainly makes EU decision-making slow, often slower than it should be. It also puts a premium on lowest common denominator outcomes. But it has kept the EU going and it has allowed the gradual absorption of new members without the dire consequences of stagnation

11) William Wallace, ‘Europe after the Cold War: Interstate Order or Post-sovereign Regional System?’, *Review of International Studies*, 1999, 25, p. 6.

and stalemate that the prophets of doom had foreseen. Therefore, the frequently voiced argument that widening will lead to a dilution of the integration process, which in turn is often linked to the alleged assertion by the 'big three', needs to be carefully examined.

Flexibility and coopération renforcée

It is clear that EU enlargement will increase the number of member states and hence the differences in outlook and interests to such an extent that a more flexibly structured Union is needed. Not only is the EU engaged in accession negotiations with no fewer than twelve countries, but they are all (apart from Cyprus, which has its own problems) still in the painful process of reforming their economic and political structures. The task of preparing for the *acquis communautaire* – even though there will be parts from which they will be excluded and excused – is exceptionally daunting. All accession candidates are, to varying extents, politically and economically weak and most candidates have relatively small populations.

To illustrate: the *combined* population of eleven of the twelve states whose application the EU is currently considering (leaving aside Poland) is less than that of Germany; their *combined* GDPs are smaller than that of the Netherlands. The candidacy of the mini-state Malta 'raises the uncomfortable prospect of granting a seat at the Council table to a second Luxembourg, a small state with domestic politics much more idiosyncratic than those of Luxembourg, its population equivalent to that of a small Italian or German city.'¹²

Indeed, the number of small and weak states across central and eastern Europe represents one of the most intractable problems that the EU faces. It will test its capacity to expand Western institutional structures east and south-east, while maintaining a balance between sovereign equality and effective multilateral policy-making. It therefore follows that the next round of enlargement will be qualitatively as well as quantitatively different from previous rounds. And it will, post-Kosovo, probably come faster than previously thought. All this makes it likely that the very nature of the process, and the instruments it has thus far relied upon, will have to be rethought.

The principal consequence for the integration process per se is a likely resurgence of discussions on flexibility, variable geometry and *coopération renforcée*. Leaving aside what these terms mean exactly (there are considerable differences of opinion on this, which are frequently papered over), it is not axiomatic that the 'big three' will play an equally big role in all possible core groups that may emerge. Extrapolating from existing trends, it is likely that by 2010 at least three groups (or coalitions of the willing and able) will have arisen:

12) Wallace, 'Europe after the Cold War', p. 16.

1 On defence. Here the United Kingdom and France are leading and set to continue doing so. But there will be active participation by Germany plus other countries that have the willingness and capacity to make significant contributions, such as Italy and the Netherlands. At least in principle, input into policy-making should be a function of the contributions (troops, expertise and money) that countries offer.

2 On EMU and economic governance. Here, Germany and France are expected to lead, together with other euro-land countries. Especially the French are keen to build euro-11 into the key body for managing the internal and external implications of the euro. But the United Kingdom's participation is uncertain, as it depends on the UK's entry into EMU. While on balance it remains likely that the UK will join by 2004/5, there is a distinct danger that this target date is slipping.

3 On environmental policy. Again, French and German participation is certain, while that of the United Kingdom is likely, but not guaranteed. The probable 'outs' are the central and east European countries plus, possibly, Spain, Portugal and Greece. 'Leadership' in terms of policy innovation is most likely to come from the Scandinavian countries, Germany, Austria and the Netherlands.

In short, *coopération renforcée* is bound to be a more prominent aspect of the EU's landscape by the end of the next decade. It is probably the only way to reconcile widening with deepening. For it to be successful, the Amsterdam arrangements on flexibility, and especially the 'emergency brake' negotiated by the UK and others, will have to be revisited and reformed. No group of deeper integration can be envisaged without France and Germany. British participation, by contrast, is likely but not guaranteed. On the all-important question of who will lead, it is not self-evident that the 'big three' will have a disproportionate influence in any core group, apart from the defence grouping. Instead, it seems more likely that different coalitions of countries, large and small, will be formed in different policy areas. The recent history of EU coalitions has been more diffuse, promiscuous even, than the past. Enhanced cooperation among different coalitions of the willing is likely to magnify this trend.

Having examined and assessed a number of arguments and trends that, first, favoured and, second, rejected the notion of an inexorable rise of London, Paris and Berlin, it is perhaps opportune to look at concrete examples and instances. If on the face of it the general arguments seem finely balanced, can the empirical record tip the scales?

The Empirical Record

Concrete Examples of a Leading Role for France, Germany and the United Kingdom

This list makes no pretension to be exhaustive, but it does contain some of the most salient events, decisions and initiatives that have characterized EU affairs during the past five years.

- *Contact Group on former Yugoslavia.* This is perhaps *the* showcase for the argument that European affairs are increasingly run by an informal directorate. Indeed, the persistent efforts to obtain a seat at that table (witness Italy's successful and the Netherlands' unsuccessful attempts) merely proves the point that many real decisions are/have been taken in that forum. Ever since the Contact Group started its deliberations, the outsiders have complained loudly, and sometimes with justification, that decisions also affecting them were taken without their formal consent.

- *European defence.* The Anglo-French St Malo initiative on European defence (December 1998) was followed by the Franco-German defence paper presented at the EU summit in Tampere in October 1999. This in turn led the following month to the Anglo-French call for the creation of a European rapid reaction corps by 2003 of about 60,000 troops, a goal that was endorsed at the Helsinki summit in December 1999. It is manifest that the United Kingdom and France are leading this project, with Germany as a major player. Other countries are, of course, invited to participate, but it is clear that the broad lines of policy have been set in Paris, London and, to a lesser extent, Berlin. Tellingly, not only the smallest countries feel a degree of unease about this tendency. Italian Foreign Minister Lamberto Dini, for example, has warned – on the record – of the dangers of an informal directorate on defence issues.¹³

- *Appointments at international organizations.* There has also been a distinct impression that trilateral coordination on filling key international positions has increased in the last decade. In the past, small countries often managed to fill a disproportionate number of international vacancies, in part because of disagreement among the larger countries and because larger countries acquiesced in this situation. But these days, it seems, they barely get a look in. Getting top jobs for fellow nationals has become a goal of foreign policy for most European countries. This development appears to have ensured that most plum jobs are being filled by representatives of big countries. Recent examples include Bodo Hombach, Bernard Kouchner, Pierre de Boissieu, Horst Köhler and the appointment of George Robertson as NATO Secretary-General. Especially in the case of Robertson's appointment, the indignant protests from a number of smaller countries against its *fait accompli* character bears the assumption out that a change has taken place – in favour of the big three. Granted, counter-examples can be offered too: Wim Duisenberg, Romano Prodi and Javier Solana. But even these fail to refute the argument convincingly. Duisenberg got the job of European

13) Reuters, 3 December 1998.

Central Bank (ECB) President partly because of his closeness to German thinking on monetary issues, and Prodi and Solana are also representatives of big countries.

Looking ahead:

- *This year's IGC* will see a showdown between big and small when the size of the Commission and the reweighting of the votes in the Council will be discussed. True, the salience of the large versus small divide is often exaggerated in view of the way that the bulk of EU business is decided upon. Decision-making on particular EU dossiers almost never pit large against small in a direct manner. As indicated, coalition patterns inside the EU are diffuse and dependent on the issue at hand. But it is true that on institutional questions the existence of a large versus small dichotomy cannot be denied.

France and the United Kingdom in particular are talking up the necessity of 'rebalancing' the institutional structure in favour of the larger member states. Equally predictable has been the staunch defence by smaller countries such as Ireland and Finland against what they see as a concerted attempt to remove the protective mechanisms built into EU decision-making structures. As one leading Finnish analyst, Esko Antola, warned: 'At worst we might end up with a big state directorate. If one wants to make the argument more extreme, we are heading towards the system reminiscent of the Vienna Congress.'¹⁴ Moreover, the Helsinki summit's decision to give the IGC a 'narrow mandate' (the so-called Amsterdam leftovers plus defence) makes it less likely that a broad package deal, with something for everyone, can be concluded. The outcome of the IGC 2000 will be an interesting pointer as to whether the larger member states are effectively growing more powerful.

14) *Suomen Kuvalehti*, 13 August 1999.

Instances without a Large versus Small Divide

- The Agenda 2000 discussions on the EU's budgetary arrangements showed that (especially) when it comes to money, every country is fighting for its perceived national interests. To further these, tactical alliances with other member states are necessary and actively sought. But the requirement of unanimity meant that no agreement could be stitched up beforehand among the 'big three'. Indeed the preferences of the United Kingdom (to preserve its rebate), France (to preserve the CAP) and Germany (to reduce its net contributions) precluded such a trilateral approach. In many ways, it directly pitted London and Paris against Berlin (supported by The Hague).
- Other instances of proposed EU actions also showed the limitations of trilateral coordination, simply because the dividing lines preclude that option. For example, the EU row over plans to introduce a withholding tax (which brought back familiar images of the United Kingdom standing practically alone against 14 other member states) is evidence that a trilateral directorate, if such a phenomenon exists at all, is far from complete. And discussions on the Commission's mandate for the Millennium Round of WTO trade negotiations revealed another pre-existing line-up of countries: the UK, the Netherlands and Denmark spearheading the free trade wing of the EU; versus France, Spain, Italy and, albeit sometimes for different reasons, Germany, which emphasize 'controlling' and 'managing' global trade liberalization.
- The crucial role played by Finnish President Ahtisaari in ending the Kosovo conflict showed that representatives of small countries, often because of the very fact that they are from smaller and/or neutral countries, can and do play decisive roles. Another example of this development was the leading role that Portugal played in the EU's dealing with East Timor. In the future, the EU is likely to draw on the diversity of its members' outlooks to shape and voice its policies towards the rest of the world. In this process, smaller countries with an activist foreign policy stance will have an opportunity to play a leading role, if only as a go-between. They can fill niches left by the larger states or perform roles that the 'big three' cannot carry out, or only with great difficulty.

Conclusions

On the face of it, the evidence supporting or refuting the central thesis on a leading, perhaps even dominating, role for the 'big three' is mixed. We have identified four general arguments in favour but also four factors against this notion. The empirical record offered no conclusive proof either. As often in EU affairs, a lot will depend on which choices Germany will make in its European policy. In many ways Germany holds the balance in the EU. This is also true when it comes to large versus small.

However, even if bold statements are best avoided in these circumstances, some tentative evidence tilts the balance in favour of those positing that Paris, Berlin and London play a more influential role than has hitherto been the case. For not all the trends discussed above are equally important. Hence, the mathematical equilibrium may obscure more than it reveals. Two trends in particular stand out for their potential to reshape the nature of the European project:

- Despite the strengths of the old Community method, a new model of European integration *is* gaining ground. It is based on benchmarking, league tables and the exchange of best practice. Overall, it replaces an emphasis on minimum norms with a stress on maximum performance. Its currency is the quality of ideas.

Much of the EU's involvement with, for example, the fight against organized crime takes place on this basis; so too with respect to macroeconomic policy and structural reform. In particular, the EU's new flagship programme on innovation and competitiveness, launched at the Lisbon summit, takes place along these lines. And although this new model is different from pure intergovernmentalism (primarily because of Commission involvement), the EU is gradually moving away from the old Community method.

This shift has important repercussions for the interplay between big and small in the EU, because the old method probably favoured the role of the smaller member states. At a minimum it contained institutional safeguards for their position. Of course, there is no reason to assume that smaller member states suffer from an intrinsic lack of good ideas or cannot find creative policy innovations from which the larger states can learn a great deal. Nonetheless, if the in-built safety valves of the Community method become less important, then the relative position of the smaller member states will weaken accordingly.

- Defence in particular and external relations in general will, in the decade ahead, be the EU's commanding project. Notable exceptions aside, these fields are dominated by the 'big three'. The EU's capacity to act will depend critically on a leadership role for France, the United Kingdom and, to a lesser degree, Germany. This will mean that tensions between prior and privileged coordination *à trois* and the conduct of a CFSP *à quinze* will occur more often and will become more acute. Resentment by smaller countries about *faits accomplis* and about having to pay for decisions made by others is set to increase. This will be especially difficult for countries such as the Netherlands and Sweden which do make sizeable contributions to international efforts (in terms of military troops or financial resources) but which are not recognized by the big countries as playing in the same league.

The underlying issue is whether there is a trade-off between legitimacy and effectiveness. If it were true that a formal or informal directorate of the 'big three' would free the EU's CFSP from the stranglehold of lowest common denominator decisions, then a case for it could perhaps be made. But if disagreements between London, Paris and Berlin effectively preclude the creation of a consensus that can

be introduced in a wider EU setting, then talk of a dominant role for the 'big three' is empirically and politically misguided: more a product of lazy and perhaps wishful thinking – by those in London, Paris and Berlin that are eager to talk up the necessity of a special leadership role.

As things stand, it is up to the 'big three' to show the other EU members the benefits of a privileged role or 'hard core' for them within CFSP. The principal criterion by which to judge such efforts should be their ability to boost the EU's capacity to act *in tangible ways*. There is, on balance, some reason to believe that the EU's handling of sensitive diplomatic crises and military conflicts can (only) improve if London, Paris and Berlin together with Mr CFSP take a stronger lead. But if the result of such a directorate still produces the dubious mixture of diplomatic incoherence and military weakness that presently beset CFSP, then the smaller member states will have got a raw deal. The next decade will tell whether the 'big three' can rise to the challenge of enhancing the EU's capacity to act.

3 The Case for a 'Directorate' in the CESDP

Stephan Keukeleire

Introduction

Strengthening and institutionalizing the phenomenon of a directorate within the Common Foreign and Security Policy (CFSP) and Common European Security and Defence Policy (CESDP) is a necessary though not sufficient condition to turn the EU into a credible diplomatic actor that is also influential in sensitive issues and in conflicts that are at the top of the international diplomatic agenda. The practice of international relations and the nature of the EU indeed point to the necessity of allowing the major EU member states to gain special status in EU foreign policy-making and to form a hard core within the CFSP/CESDP. However, the nature of the EU and the differences among the large member states also show that strengthening the directorate phenomenon is not a sufficient condition to strengthen the CFSP/CESDP, and that it is in certain circumstances even not necessary or advisable. This is related both to the limitations of directorates within the EU and to the various fundamental problems of the CFSP/CESDP. Other measures and efforts are therefore also required. This, in short, is the thesis that is proposed and defended in this chapter, within the context of a more general analysis of the significance of the distinction between small and large member states within the EU's CFSP/CESDP.

The analysis starts by placing the directorate phenomenon in a broader context and by providing some conceptual clarification. It continues with an analysis of the only real example of a directorate within the EU: the Contact Group for Bosnia and Kosovo. Next the pros and cons of introducing a directorate phenomenon in the CFSP are analysed, followed by an analysis of the directorate mechanism against the background of the new developments towards a Common European Security and Defence Policy. The chapter concludes with some concrete proposals and with a plea for the creation of a restricted crisis management mechanism and Restricted Crisis Management Group.

Context and Conceptual Clarification

Formulating concerns about the excessive influence of the large member states, about the existence of a directorate of large states in dealing with major crises, or about the possibility that the running of the CFSP would *de facto* be handed over to a directorate is one of the ritual activities of several small and medium-sized member states.¹ These concerns and warnings, however, are formulated in quite diverse contexts and it is not always clear what the term ‘directorate’ refers to. Consequently, it is useful to situate this phenomenon in the more general context of the ‘large versus small’ problem within the CFSP and to put into perspective the phenomenon of directorates.

In general, large states *de facto* do have a special status in policy-making in the EU (in the second pillar, but also in the first pillar). And in general, and of equal importance, this is also considered as normal, acceptable and often even positive by most other states. Agreements among the major EU states, informal initiatives from the larger member states or joint Franco-German or Franco-British documents have indeed frequently been necessary to make possible major decisions and initiatives of the EU as a whole. This has been true on several levels: on the level of the preparation of new treaty amendments, on the level of specific decision-making in the Council of General Affairs and in the European Council (which are often preceded by bilateral meetings between diplomats, Ministers of Foreign Affairs or the Heads of State or Government of Germany, France and the UK), as well as on the level of developing the general strategies of the EU towards other regions.² The dominant influence of the larger members has been seen as acceptable because the final decisions have been adopted in the institutional framework of the EU (or within the framework of the intergovernmental conferences), which has allowed all member states to block undesirable proposals or initiatives. Nevertheless, several smaller member states maintain their ambiguous attitude towards initiatives from the large member states. On the one hand they criticize the excessive influence of Paris, Bonn and London; on the other hand they are anxious when the large capitals are not able to adopt a common stance and when this undermines the capacity of the EU to act.

In general, it has also been accepted by most member states that some larger member states, often together with one or more of the smaller member states, have created informal *ad hoc* fora to discuss or tackle specific foreign policy issues – at

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- 1) See, for instance, David Allen, ‘Conclusions: The European Rescue of National Foreign Policy?’, in Christopher Hill (ed.), *The Actors in European Foreign Policy* (London: Routledge, 1996), p. 294; Alvaro de Vasconcelos, ‘Portugal: Pressing for an Open Europe’, in Hill, *The Actors in European Foreign Policy*, p. 283; ‘EU/Belgium: Mr Derycke Condemns the Return to Directorship’, *Agence Europe*, 10 February 1999, p. 3.
 - 2) For the role of the major states in developing these strategies and partnerships, see the analysis of the ‘structural foreign policy’ of the EU in Stephan Keukeleire, *Het buitenlands beleid van de Europese Unie* (Deventer: Kluwer, 1998), pp. 363-447.

least as long as the EU as a whole has not been committed.³ This has been accepted because not all EU member states have been equally interested in specific policy issues (such as a crisis in one or other country or region). They have often even been pleased that they have not been forced to spend time, energy and financial or other efforts on those issues.⁴ Moreover, the creation of informal sub-groups focusing on developments in, for example, the Baltic area, eastern Europe or northern Africa has often resulted from the frustration of some member states about the lack of interest from the other EU member states.⁵

Non-involved member states, however, have expressed much deeper reservations about a stronger role for the major EU member states when the negotiations and initiatives of the major states started to have a permanent character and when the decisions of the major member states also committed the other EU countries and the EU as a whole (politically as well as financially). It is indeed only in this case that we can speak of a real directorate. Such a directorate formula in the strict sense has remained quite exceptional in the EU, however. Only in the case of the Contact Group for Bosnia and Kosovo did this directorate formula play a major role, which is also the reason why this analysis starts with an evaluation of that Contact Group.

An Exceptional Example of a Directorate: The Contact Group for Bosnia

The only real example of a directorate has been the Contact Group for Bosnia, which was created in 1993-94. It included France, Germany and the UK, together with the US and Russia. The Contact Group de facto took over the lead from the UN and the EU, which had not been able to find a solution for the Balkan war. In order to put a stop to the Bosnian conflict, the five countries of the Contact Group (and Spain as a – temporary – member of the UN Security Council) in March 1993 proposed the 'Joint Action Plan', which had been developed on the initiative of the US. This, however, meant that the four EU countries involved went against the 'Vance-Owen Peace Plan', which was being promoted by the EU and against the efforts of the special EU Representative for Bosnia, Lord Owen.⁶ The Contact Group's support for the 'Joint Action Plan' was the first important indication of the

3) See the examples in Günter Burghardt, 'The Potential and Limits of CFSP/CESDP: What Comes Next?', in Elfriede Regelsberger, Philippe de Schoutheete de Tervarent and Wolfgang Wessels (eds), *Foreign Policy of the European Union: From EPC to CFSP/CESDP and Beyond* (Boulder CO: Lynne Rienner, 1997), pp. 322- 323.

4) Keukeleire, *Het buitenlands beleid van de Europese Unie*, pp. 298-299.

5) Allen, 'Conclusions', p. 296.

6) Günter Burghardt, 'Politique étrangère et de sécurité commune: garantir la stabilité à long terme de L'Europe', *Revue du Marché Unique Européen*, 3, 1995, p. 271.

large EU member states removing their focus and loyalty from the EU to the Contact Group forum. Particularly from the start of 1994 onwards, the Contact Group became the main focus of negotiations on Bosnia and on the Balkan conflict in general. This implied that the emphasis moved from common decision-making by the (then) twelve EU Ministers of Foreign Affairs to decision-making that was to a large extent dictated by what the most powerful EU member states agreed with the US and Russia.

There are several reasons for the increasing importance of the Contact Group formula. The three large EU states saw the Contact Group formula as a way to make up for the lack of vigorous common action by the EU. It was created to evident deficiencies in the decision-making process of the EU, the lack of a EU foreign policy that covers all topics and regional areas in a coherent and operational way, the possibility that one member state can block decisions and actions wanted by the other member states, etc.⁷ Initially, Lord Owen sharply criticized the attitude of the large member states, which undermined the position and credibility of the EU. Nevertheless, he also underlined that 'sometimes the need for quiet decisive action and secrecy will necessitate a smaller group of EC countries taking their responsibilities on national shoulders', which was one of the reason why he finally supported the functioning of the Contact Group.⁸ It was thus understandable that the three major EU countries were looking for an alternative to the EU framework. Ironically, these three large EU member states also bore the main responsibility for the failure of the EC/EU in former Yugoslavia, as a result of their internal differences.⁹

Owen's successor, Carl Bildt, has emphasized that the Contact Group formula was seen as especially crucial in bringing Washington and Moscow directly into the process, partly in order to use the leverage they represented, but also partly in order to prevent them from further obstructing or complicating the efforts from the sidelines. Any European or other international initiative that was not supported by particularly the US was indeed de facto doomed to failure. This was all the more true as the US was the only power with the necessary instruments of power and the will and ability to concentrate and coordinate its resources to

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- 7) Statement of a senior official of the German foreign office on *German Foreign Policy and the CFSP: Between 'Communitarization' and the 'Directoire' Principle*, for Working Group IV of Arbeitskreis Europäische Integration, IfE, 26-27 November 1998, Bonn, on 'Deutschland und die Europäische Union'.
 - 8) David Owen, *Balkan Odyssey* (London: Indigo, 1995), pp. 179-183 and 296-299. Owen also refers to his positive experience as British Foreign Secretary with a Contact Group mechanism in 1977 over Namibia, when the US, UK, France, Germany and Canada, then all on the Security Council, established a close negotiating relationship, overcame serious differences among the five countries, coordinated their policies (also within the UN) and jointly negotiated with the South African leaders.
 - 9) Burghardt, 'Politique étrangère et de sécurité commune', p. 271.

implement the political strategy that had been decided upon.¹⁰ For France, the Contact Group formula was also a useful device for bringing Germany to the centre of diplomatic negotiations and to circumvent the problem that Germany was not a permanent member of the UN Security Council. Likewise, Germany itself saw it as a means finally to play a larger diplomatic and military role in international affairs, especially as the Constitutional Court in Karlsruhe had just authorized Bonn to participate in military operations outside NATO territory.¹¹ The Contact Group was also a useful way to discuss at a high level a 'European' problem that in general did not interest one of the permanent members of the UN Security Council (namely China).

The major explanation for the prominence of the Contact Group was the policy of Washington, however. The Contact Group indeed became increasingly important as the US became more involved in the Bosnian crisis. Owen described the American position towards the European partners as follows: 'The US wanted EU involvement but was not prepared to get into the business of involving all twelve governments and the Troika mechanism was not very attractive for them. Anything from Europe made little sense if it excluded the British and French, who were necessary for coordinating action in the Security Council within the established procedure of consulting in depth the US and Russia [...].' Together with Germany, they formed a 'small confidential framework' of five powerful nations that constituted a good basis for purely intergovernmental negotiations, both internally to search for internal cohesion and externally to negotiate with the actors in the Balkans.¹² The creation of the Contact Group was necessary to be able to speed up the negotiations, to work 'as a matter of urgency towards a full cessation of hostilities' and 'to concentrate on the nitty gritty of an overall ceasefire and to get to grips with the map', which meant that the work had to be done with a smaller group of actors.¹³

The EU and the UN were not permanent members of the Contact Group, but had a liaison man in the Contact Group's negotiation team. In order to make the Contact Group formula more acceptable for the other EU member states, it was decided that the troika and the Commissioner for External Relations, Hans van den Broek, would represent the EU at the ministerial meetings of the Contact Group. In short, the EU was allowed to be present during the meetings that were the most visible for the general public, but it was not allowed to be present during the most crucial and sensitive negotiations, despite the fact that EU support for

10) Carl Bildt, *Peace Journey: The Struggle for Peace in Bosnia* (London: Weidenfeld and Nicolson, 1998), pp. 17, 380 and 387.

11) Anne-Marie Le Gloannec, 'La PESC et les relations entre les Etats de l'Union', in Marie-Françoise Durand and Alvaro de Vasconcelos (eds), *La PESC: Ouvrir l'Europe au monde* (Paris: Presses de science PO, 1998), p. 145.

12) Owen, *Balkan Odyssey*, p. 296.

13) Andreas G. Kintis, 'The EU's Foreign Policy and the War in Former Yugoslavia', in Martin Holland (ed.), *Common Foreign and Security Policy: The Record and Reforms* (London: Pinter, 1997), p. 160.

and legitimization of the Contact Group's conclusions and actions were expected.¹⁴

The Contact Group was created to allow the international community to react swiftly and vigorously to developments in the Balkans. In practice, however, it had as many problems as the EU to intervene in the Balkans, as finding a consensus on a common approach proved to be extremely difficult.¹⁵ The need for a common policy often overruled the requirements of an effective policy in terms of the proclaimed objectives, and at times the Contact Group seemed to be sustained only by the shared reluctance to admit total failure.¹⁶ Even when the Contact Group found a common approach and formulated a proposal for a peace agreement, it was not able or willing to force the various actors in the Balkans to accept and implement their proposals for this peace agreement. Although the members of the Contact Group did possess the necessary military and other instruments of power, they were not willing to use them to enforce the settlement of the Bosnia conflict. This inertia, which lasted for more than one year, was not only the result of Russia's involvement. It also resulted from the internal divisions among the three EU member states and from the divergences within the US (within the American administration and between the American political and military leaders).

The inertia caused by the problems in the Contact Group only disappeared in the middle of 1995 when the internal situation in the US and the changed balance of power in Bosnia allowed for more energetic American involvement in the Balkans. As Holbrooke describes in his account of the Bosnian crisis, Washington decided – to the irritation of the other Contact Group members – to negotiate first and consult them later, reversing the previous procedure, in which the five nations tried to work out a common position before taking it to the parties in the Balkans – a system that was cumbersome and unworkable. And further: 'if we consulted the Contact Group prior to each action, it would be impossible for the negotiations to proceed, let alone succeed. Now that the United States was finally engaged in Bosnia, we could not allow internal Contact Group squabbles to deflect us. [...] Any temporary Euro-annoyance with less information can be managed. It must be outweighed by our need for speed and security. But we must never forget that we will need them all if there is ever a settlement'.¹⁷

The firmer American stance *vis-à-vis* both allies and opponents resulted in more intense negotiations as well as in air raids on Serbian targets by NATO, with the US as the main actor in this military operation. This in turn paved the way for the Dayton Agreement of 14 December 1995, which ended the war in Bosnia-Herzegovina. Significantly, the US *de facto* forced the actors in the Balkans to

14) Owen, *Balkan Odyssey*, pp. 297-299.

15) See the many references to the problems in the Contact Group in Owen, *Balkan Odyssey*; Bildt, *Peace Journey*; and Richard Holbrooke, *To End a War* (New York: Random House, 1998).

16) Lawrence Freedman, 'Why the West Failed', *Foreign Policy*, 1994, 97, p. 54.

17) Holbrooke, *To End a War*, pp. 84 and 115-117.

accept this final diplomatic agreement on its own, as Washington excluded the other members of the Contact Group from the decisive talks in Dayton with the Serbian, Croatian and Bosnian negotiators.¹⁸

To a large extent this scenario was repeated during subsequent Balkan crises and especially during the Kosovo crises and war of 1998-1999. Once again it was obvious that the EU and the UN were not able to put a halt to the escalation. The Contact Group again appeared as the main forum for the large EU member states to try to influence the events in Kosovo, though again with limited success. Once again, the US took the lead. Washington first tried to enforce a diplomatic solution before, during and after the Rambouillet conference, with only limited involvement from the other Contact Group partners in the most crucial stages of the negotiations (although the conference was officially chaired by the French and British Ministers of Foreign Affairs and although the negotiations were officially led by a troika with representatives from the US, Russia and the EU). When the Serbs did not follow the Rambouillet option, it was again the US that enforced a military solution through military intervention by NATO, which depended nearly completely on American leadership, military instruments and know-how.¹⁹

The analysis of the Contact Group is interesting because it facilitates the formulation of arguments for and against the creation of a directorate within the CFSP. The experience with the Contact Group points to some advantages of this formula and makes it clear why the creation of a directorate can be necessary. At the same time, however, it also brings the problems and limitations of the directorate phenomenon to the fore.

The Case for a Directorate within the CFSP

An all-encompassing general argument in favour of a directorate is the negative experience with the CFSP: this CFSP, which does not foresee a specific role for the largest member states, is just not efficient and does not allow the EU to intervene as an active, influential and credible force in serious crises and conflicts in the world. This general argument is related to several more specific arguments in favour of a directorate.

The most important of these arguments is related to the characteristics of policy-making in the field of foreign and security policy in general and, in particular, in the case of crises and conflicts.²⁰ Despite the growing democratization of foreign policy-making, decision-making on foreign and

18) Laura Silber, 'Dayton: histoire d'une négociation', *Le trimestre du monde*, 1996, 34, pp. 103-109. See also the description and analysis in Holbrooke, *To End a War*, pp. 79-312, especially 83-85, 115-116, 223, 236, 241-242 and 265 ; and Bildt, *Peace Journey*, pp. 81-161.

19) See Franklin de Vrieze, *De Kosovo-Diplomatie: Waarom de voorspelde oorlog niet werd voorkomen* (Antwerp: Pax Christi, 2000), pp. 35-40 and 78-96.

20) Keukeleire, *Het buitenlands beleid van de Europese Unie*, pp. 43-56.

security policy in most countries is prepared and/or adopted by a small number of powerful actors within the government. This not only occurs in national policy-making, but also in policy-making in international conferences and international organizations, such as the UN and NATO, where policy-making is often characterized by bilateralism and 'minilateralism'. Reformulating a statement by Miles Kahler on 'minilateral leadership by great powers':²¹ large-number cooperation requires institutional devices that combine the need for wider participation with the hierarchical structure of many issue-areas. In periods of crises and conflicts and during sensitive diplomatic negotiations this phenomenon is even more pronounced, as decision-making in those cases occurs even more outside the formal institutional frameworks and procedures. The need to act swiftly in conflicts and the confidentiality required in sensitive negotiations leads to limiting the number of actors to those actors that can exert real influence and that possess the necessary instruments of power. This implies that it is not so peculiar for the emphasis in the Bosnian war to have shifted from the EU/UN duo to the Contact Group, which included the three most important EC/EU member states.

One might even assert that the directorate phenomenon should be welcomed by the EU as a whole and by the member states that are not involved, if the initiatives of the directorate further the objectives of EU foreign policy and strengthen the security of the EU as a whole. This is even true when the EU is requested to legitimize the decisions of the directorate or when the political and financial support of the EU and of the other member states is demanded. After all, at such moments member states that are opposed to decisions of the directorate may block the legitimization and support of these decisions by the EU. Nevertheless, it is correct to object that such a refusal can prove to be very difficult in actual situations of crisis. Another argument against the assertion above would be that the negative experiences of smaller member states that are regularly confronted with a *fait accompli* might undermine the CFSP as a whole, as they might see the CFSP as nothing more than the forum where the smaller countries have to accept the decisions of the major EU countries and their main external partners.

A second major argument in favour of a directorate is related to the fundamental difference in the status of, on the one hand, France, the UK and – to a smaller degree – Germany and, on the other hand, the other EU member states. This is true in terms of economic, financial and especially military power, in terms of external ambitions and interests, in terms of influence in international fora (such as the UN Security Council, NATO and the G7), and in terms of strategic culture and their willingness to accept '*du sang versé*' and '*sacrifice comme prix de l'influence*'.²² This argument strengthens the impact of the first argument: in

21) Miles Kahler, 'Multilateralism with Small and Large Numbers', *International Organizations*, 1992, 46(3), p. 685.

22) Jean-Louis Bourlanges, 'Les Européens malades de la PESC', *Politique internationale*, 1996, 74, p. 216.

periods of serious crisis, it cannot be expected that small and medium-sized countries behave in the same way as the largest countries and, consequently, it is necessary to accept and even formalize this difference in the institutional structure of the CFSP. The practice of international relations makes it necessary to allow the major EU member states to have a special status in EU foreign policy-making and to form a hard core within CFSP. As Van Staden has emphasized,²³ formalizing the role of the large countries might also to some extent diminish the chance that they will adopt unilateral measures or take initiatives in a bilateral or alternative multilateral framework outside the EU.

A third argument, which strengthens the impact of the former arguments, is the continuous enlargement in which the EU is engaged. This enlargement strengthens the case for a directorate within the CFSP, in view of the growing number of member states that will be involved in decision-making, in view of the problematic balance between the large and small states in a system that retains an insistence on consensus,²⁴ and in view of the increasing differences between the member states. The accession of the 'neutral' member states in 1995 already strengthened these problems, especially in view of the different belief systems and role definitions of the new member states concerning international relations. Obtaining a *communauté de vues* as a necessary condition to developing a *communauté d'information* and a *communauté d'action* thus became even more problematic.²⁵ It is clear that these problems will not diminish when the EU moves from 15 to 20 or more member states.

A fourth related argument in favour of a directorate within the CFSP follows from the pressure from other nations and international organizations, especially the US. The EU's external representation in CFSP matters via a rotating presidency was a *modus operandi* that did not respond to the needs and expectations of other major international players such as the US and Russia.²⁶ As Owen emphasized in his analysis of the Contact Group on Bosnia, it was especially the US that wanted a framework which included its three main Western partners and Russia. The US wanted to deal with negotiation partners that possessed real power, considerable (military) instruments of power and the authority and legitimacy to use those instruments. Washington needed the Contact Group as an instrument to coordinate the policies of these countries (by convincing them to adopt and support the American approach) and to coordinate indirectly the policy

23) Alfred van Staden, 'Tegenstrijdigheden en dilemma's in de Europese politiek', *Internationale Spectator*, 1995, 49(4), p. 188.

24) Allen, 'Conclusions', p. 296.

25) For the initially quite different positions of the new member states, see François Gribinski (ed.), *L'Autriche, la Finlande, la Suède et la sécurité européenne* (Paris: La documentation française, 1996).

26) Statement of a high official of the German foreign office on *German Foreign Policy and the CFSP: Between 'Communitarization' and the 'Directoire' Principle*, for Working Group IV of Arbeitskreis Europäische Integration, IfE, 26-27 November 1998, Bonn, on 'Deutschland und die Europäische Union'.

of the main international institutions (which was made possible given the strong position of these countries in the UN Security Council, NATO and the EU).²⁷ In this sense, the Contact Group can be considered an instrument of policy coordination that fitted the needs of American foreign policy at least as much as the needs of the EU and its largest member states. Nevertheless, formalizing the phenomenon of a directorate within CFSP can increase the chances that the CFSP will be taken seriously by external actors.

A fifth argument is of a quite different nature, as it adopts a strategic long-term perspective. An analysis of the position of the largest member states and of potential long-term developments of the CFSP inescapably leads to the question of the position of the two nuclear powers in the EU. Whereas discussions in the EU on the nuclear dimension can now be restricted to a small number of issues concerning non-proliferation in general and non-proliferation outside the EU borders, a successful further development of the CFSP will eventually force the EU member states to face the delicate matter of the nuclear dimension within the EU. The question in the long run will then be whether a EU foreign and security policy also has to include a nuclear dimension. From one perspective, British and French nuclear weapons could help the EU to increase its political and strategic autonomy and to develop a European nuclear identity, resulting in a net political and security gain for the EU.²⁸

This view seems to be quite abstract and illusive for two reasons. Firstly, since the French nuclear tests in 1995 and the very negative reaction of most EU member states to these tests and to the subsequent French proposal of 'concerted deterrence', there has been a growing divergence on the nuclear issue between Paris and London on the one hand and most other EU members on the other, which has also led to a weakening of the EU's non-proliferation policy.²⁹ Secondly, the weight of French and British nuclear weapons is rather limited in comparison with Russian and American nuclear capabilities, with the latter remaining the basis of NATO's deterrence policy. However, two other developments point in a different direction. Firstly, since 1992 there has been growing convergence and coordination between London and Paris on their nuclear weapons, with the nuclear dimension also becoming part of the Franco-German dialogue.³⁰ Secondly, Paris and London have gradually come to recognize that nuclear deterrence can have a function outside the East-West context and that it might have a function in the deterrence of especially chemical and biological weapons of

27) Owen, *Balkan Odyssey*, pp. 295-297.

28) Bruno Tertrais, 'Nuclear Policies in Europe', *Adelphi Papers*, 1999, 327, pp. 55-56, 65 and 75.

29) See Camille Grand, 'The European Union and the Non-proliferation of Nuclear Weapons', *Chaillot Papers*, 2000, 37, pp. 21-34.

30) Germany was also much less critical towards the French nuclear tests and proposals than the other non-nuclear EU member states. David S. Yost, 'The US and Nuclear Deterrence in Europe', *Adelphi Papers*, 1999, 326, pp. 35-41; Tertrais, 'Nuclear Policies in Europe', pp. 20, 30-32 and 60-62.

mass destruction of non-European countries.³¹ This might imply that a European nuclear deterrence based on 'limited' nuclear capabilities might in the long run be considered useful for a European Union that intervenes more actively in crises and conflicts outside its own borders. An informal directorate might be used by the three large member states to coordinate their nuclear policies or even elaborate a European nuclear strategy outside the formal framework of the CFSP, if a European nuclear identity remains a taboo for most other member states. Such a directorate might be included and even legitimized in the CFSP framework, however, if Paris and London took the lead in stimulating non-proliferation in and outside the European continent – which would be crucial for Europe's long-term security.

These various arguments in favour of a directorate lead to the conclusion that extending, strengthening or even institutionalizing the formula of a directorate within the CFSP may be a necessary condition for transforming the EU into an active and credible diplomatic actor, which is also influential in diplomatic and military crises and conflicts and which can also play a major role in those sensitive issues that are at the top of the international diplomatic agenda.

The Case against a Directorate in the CFSP

Several of the arguments for a directorate have to be put into perspective or are kept in balance by various arguments against the creation of a directorate within the CFSP.

A first argument against the creation of a directorate is that it is opposed to the objective of a *common* foreign and security policy, which was established by the Treaty of Maastricht of 1992. In particular, it seems to be opposed to the commitment that the member states accepted in article J.1 (4) (art. 11 (4) since the Amsterdam Treaty): 'The Member States shall support the Union's external and security policy actively and unreservedly in a spirit of loyalty and mutual solidarity. They shall refrain from any action that is contrary to the *interests* of the Union or likely to impair its *effectiveness* as a *cohesive force* in international relations.'³²

This argument has often been used to criticize the Contact Group on Bosnia, which, seen in this perspective, was opposed to both the letter and the spirit of the Treaty of Maastricht and consequently undermined the CFSP. Arguments against this latter interpretation can be formulated, however. A more profound analysis of the Treaty points to the non-exclusive and non-comprehensive nature of the CFSP. This implies that, from a political point of view,³³ the CFSP provisions can only have a *conditional* binding force: a member state cannot be obliged to refrain

31) Tertrais, 'Nuclear Policies in Europe', pp. 37-41.

32) Italics by S. Keukeleire.

33) For a legal point of view on the binding force of the CFSP provisions, see Ramses A. Wessel, *The European Union's Foreign and Security Policy: A Legal Institutional Perspective* (The Hague: Kluwer Law International, 1999).

from an action aimed at solving a conflict if the EU is not able to specify its *interests*, if the EU policy is not *effective* and/or if the EU is not behaving as a *cohesive force* in international relations.³⁴ This also implies that, in this case, there is no reason why a limited number of larger member states should not try to start actions within a more limited framework. Applied to the case of the Contact Group on Bosnia: in view of the non-exclusive and non-comprehensive nature of the CFSP and the limited instruments and weak institutions of the CFSP,³⁵ it is appropriate to say that the creation of the Contact Group (just as the lasting prominence of national foreign policy, bilateral contacts, etc.) was a logical consequence of the limitations that the member states themselves imposed on the CFSP. Therefore, the Contact Group phenomenon perhaps undermines a certain ideal of the CFSP, but not the actual CFSP that was created within the constraints of the Maastricht Treaty. This counter-argument may itself lose importance as a result of the Amsterdam Treaty, however, and especially as a result of the new objective to develop a Common European Security and Defence Policy (CESDP) – if at least the member states are willing and able to realize the new objectives and transform the EU into an effective and cohesive force in international relations.³⁶

A second argument against the creation of a directorate is that the differences between the major member states are so significant that creating a directorate within the EU is not really an option. In the previous part we mentioned that there is a fundamental difference between the three largest countries and the other EU member states. This conclusion is correct, but only gives one part of the picture. Fundamental differences also exist among the three major countries, with regard to their general position in the international environment, their general views on foreign policy and their stance towards specific policy issues and crises. The general internal divisions among the three major EU states are indeed quite obvious. The position of London and Paris in many respects differs from the German position: France and the UK are permanent members of the UN Security Council, they possess their own nuclear weapons and they have more than any other EU states the capability and willingness to intervene militarily outside their borders and to accept sacrifices. Their position is also specific as they evaluate international relations in much more strategic terms than Germany, which (just like the other member states) emphasizes more the moral dimension and the factor of legitimacy in its analysis of international relations (as can be seen in the different views on the need of a UN or OSCE mandate for EU actions). There is, however, also a gap between London and Paris as a result of their divergent external interests and ambitions and divergent views about the European and international security architecture as well

34) The problem, however, is that the member states that use the argument of an inefficient EU to legitimize their own initiatives outside the CFSP framework are often also the member states that impede or block efficient EU action. See Keukeleire, *Het buitenlands beleid van de Europese Unie*, pp. 153-160 and 191-194.

35) Keukeleire, *Het buitenlands beleid van de Europese Unie*, pp. 153-171 and 241-274.

36) For the potential impact of the CESDP, see the last two parts of this chapter.

as, in particular, about the role of the US, NATO and the EU within this security architecture.³⁷

The disagreements on specific policy issues became very clear during several episodes of the crisis in former Yugoslavia, especially in the early stages, when the (then) Twelve still bore the largest responsibility for finding a solution for the crisis.³⁸ Disagreements between France, Germany and the UK during that period not only appeared in the EU and the Contact Group, but also in the WEU, the UN Security Council and NATO. In each of these fora those disagreements had a restraining influence on policy-making and actions *vis-à-vis* the Balkan crisis. The restraining effect of the differences in opinion of the large countries not only became obvious in the Balkans, but in most cases where the EU encountered problems in becoming a strong actor on the international scene.³⁹ This points out that giving a larger role to the large member states in the CFSP will not guarantee a more energetic and influential EU foreign policy. The effect of a directorate within the CFSP will remain limited as long as the main EU member states have fundamentally different views on the international security architecture and the role of the EU in it as well as on the nature of foreign policy and the way to react to specific crises in international relations.

A third argument is that the dividing line between the three major states and the other member states is not always that clear. This leads to the question of what countries should be part of a directorate and whether – if the formula of a directorate is seen as necessary – it would not be better to opt for the creation of several directorates with different memberships. There is indeed not always a clear demarcation line between large and small powers and between interested and influential countries and non-interested and non-influential countries. For instance, during the crisis in Albania at the beginning of 1998 Italy took the lead in demanding an active EU policy, which had to include in the eyes of Rome the deployment of peace-keeping forces to Albania. This Italian proposal did receive support from – among others – Austria and Denmark, two countries that traditionally are quite critical towards active EU involvement in violent conflicts. The proposal failed, however, as it did not get support from especially the UK and Germany, which were not willing to accept EU/WEU involvement in this conflict.⁴⁰ Likewise, the participation of the three new ‘neutral’ EU member states

37) James Spirling and Emil Kirchner, *Recasting the European Order: Security Architectures and Economic Cooperation* (Manchester: Manchester University Press, 1997), pp. 237-256; Keukeleire, *Het buitenlands beleid van de Europese Unie*, pp. 355-360.

38) It is indeed not surprising that there was less divergence between Paris, London and Bonn in the later stages of the crisis when the responsibility *de facto* lay in the hands of the Americans and when most difficult decisions had to be taken by the US government.

39) Keukeleire, *Het buitenlands beleid van de Europese Unie*, pp. 355-361.

40) Italy finally managed to launch the Operation ALBA with a UN/OSCE humanitarian mandate, under Italian ‘lead nation’-type leadership and with a very

to WEU operations illustrates the fact that the distinction between willing and non-willing countries is not that easy to make and that the old categorizations are to a large extent superseded. Although they only have observer status in the WEU, Austria, Finland and Sweden indeed participated in the WEU mission in Mostar; Finland and Sweden took part in the WEU operation in Albania; and Sweden even took up the 'lead nation' role in the WEU de-mining operation in Croatia.⁴¹

The demarcation between large and small also often depends on the issue. Some small or medium-sized countries can become important partners and might be needed in an *ad hoc* directorate when fast developments in a specific area require a 'small confidential framework' to follow and analyse the developments and quickly to formulate policy answers (for example, Belgium in relation to Congo, or Portugal in relation to East Timor). The creation of one single directorate within the CFSP with a fixed (and limited) number of large member states is thus not very useful, as it may exclude smaller member states that can provide an important contribution to policy-making in a specific issue.

The demarcation line between large and small countries is especially problematic in relationship to Italy, Spain and, in the future, probably also Poland. These countries consider themselves as being part of the group of major EU countries, but they are nevertheless not included systematically in the Contact Group activities. This has already resulted in Italian frustration at not being a member of the Contact Group on Bosnia, despite the fact that its territory was used as a forward base for NATO air strikes over Bosnia and that it increasingly became a front-line country and actor.⁴² The Italians, however, were accepted as a member of the Contact Group during the Kosovo crisis. The lack of enthusiasm of the 'big three' to extend or institutionalize the system of a directorate of the five major EU countries – as has been proposed in the past by Spain⁴³ – can be related to their refusal to allow countries like Spain and Italy to gain a status in the EU that they do not have in other fora, such as the Contact Group on Bosnia or the UN Security Council.

A fourth argument against the creation of a directorate is that such a directorate makes no sense as the major EU member states are simply too weak to make a difference in a serious diplomatic and military crisis. In the diplomatic

mixed 'coalition of the willing' (including France, but not Germany or the UK). Stefano Silvestri, 'The Albanian Test Case', *The International Spectator*, 1997, 32(3/4), pp. 90-95; Antonio Missiroli, 'CFSP, Defence and Flexibility', *Chaillot Paper*, 2000, 38, pp. 21-22; Edward Foster, 'Ad Hoc in Albania: Did Europe Fail?', *Security Dialogue*, 1998, 29(2), pp. 214-216.

41) Missiroli, 'CFSP, Defence and Flexibility', p. 19.

42) Gianni Bonvicini, 'Regional Reassertion: The Dilemmas of Italy', in Christopher Hill (ed.), *The Actors in European Foreign Policy* (London: Routledge, 1996), pp. 92-93; and Holbrooke, *To End a War*, pp. 136-137. Holbrooke also underlines that it was not the EU but the three EU members of the Contact Group which objected to Italy's membership in the Contact Group.

43) Esther Barbé, 'Spain: The Uses of Foreign Policy Cooperation', in Hill, *The Actors in European Foreign Policy*, p. 118.

field, the crisis in Bosnia and Kosovo showed that even if Bonn, London and Paris found a common policy line and jointly proposed or promoted a new initiative, they were not able to push their views through in the Contact Group if the US did not agree or if there was a stalemate within Washington. Putting the second argument against a directorate in perspective, the Bosnia and Kosovo crises indeed also showed that France, Germany and the UK at several stages of the crises did have a common view, did develop a 'European' policy line and sometimes even had fewer problems in finding a common line than the diverse actors in the US government (for instance on military interventions) – without this European convergence having a great impact however.⁴⁴ The military interventions in Bosnia and Kosovo also confirmed that the Europeans – French, British and Germans included – are highly dependent on the Americans and that their potential for autonomous military actions is extremely limited. The military capabilities of the largest EU member states are obviously much larger than those of the smaller member states, but they likewise suffer from several structural weaknesses. The recent WEU audit⁴⁵ of the military forces of the member states pointed to these well-known obstacles for independent European military action: the lack of European airlift capacity; the lack of satellite intelligence; the lack of a European command structure; the limited number of soldiers that can be deployed at short notice; etc.

A fifth argument against the creation of a directorate follows from the previous two arguments and is related to the limited efficiency that can be expected from a directorate within the CFSP. This was also one of the lessons from the Contact Group for Bosnia and Kosovo: concentrating power in the hands of the most powerful EU member states does not automatically provide a solution for the limitations of the CFSP. Solutions for the Bosnia crisis and for the Kosovo crisis could only be enforced because the US at a certain moment decided to concentrate its power and political energy in solving these crises. The above-mentioned phenomenon that decision-making in times of crises moves to a small number of powerful actors not only resulted in the shift in emphasis from the EU/UN to the Contact Group, but also from the Contact Group to its most powerful actor, the US. This also reinforces a conclusion from the previous part: the Contact Group formula has been perhaps more an instrument of American foreign policy than of EU foreign policy and might have fitted better the needs of American foreign policy than the needs of the EU and its largest member states.⁴⁶

44) See for instance Bildt, *Peace Journey*, pp. 20-21, 116-117 and 130-137; and de Vrieze, *De Kosovo-Diplomatie*, pp. 52 and 57.

45) WEU Council of Ministers, *Audit of Assets and Capabilities for European Crisis Management Operations: Recommendations for Strengthening European Capabilities for Crisis Management Operations*, Luxembourg, 23 November 1999.

46) Revealing in this context is the comment by Holbrooke (*To End a War*, p. 84), who describes the US decision largely to neglect the other members of the Contact Group during the negotiations with the Balkan actors, but nevertheless adds: 'In the end, we must keep the Contact Group together, especially since we will need it

These diverse arguments lead us to the conclusion that strengthening the phenomenon of a directorate within the CFSP will not automatically have positive effects and will not be sufficient to transform the EU into an active and credible diplomatic actor with real influence in diplomatic and military crises. This points to the limitations of the directorate formula within the EU, as well as to the more fundamental obstacles that have to be solved to turn the EU into an efficient diplomatic actor.

Directorates in the Common European Security and Defence Policy (CESDP)

Combining the analyses of the preceding two parts, we can conclude that extending, strengthening or institutionalizing the phenomenon of a directorate within the CFSP can be considered *a necessary but not a sufficient condition* to transform the EU into an active, credible and energetic diplomatic and military actor in international politics and in military crises in particular. In other words, the nature of decision-making in crises and the nature of the CFSP makes a strengthening of the directorate phenomenon within the CFSP necessary, but the characteristics of the large member states in the EU do not allow a directorate phenomenon within CFSP to be effective. In short, the patient is ill, but the medicine that corresponds to this illness does not fit the patient – which does not look very well for the CFSP.

As we have already mentioned, this conclusion might look differently when we look at the future and examine how the recent developments in the field of the Common European Security and Defence Policy interrelate with this directorate phenomenon. To what extent are the new developments, *objectives* and *opportunities* changing our analysis and conclusions? Do they make the strengthening of the directorate phenomenon less necessary? Or do they lead to a situation in which the strengthening of the directorate phenomenon within the CFSP/ CESDP becomes a sufficient condition for strengthening the CFSP/CESDP? And in what cases and under what conditions can strengthening or institutionalizing the directorate phenomenon be necessary?

It is useful first to give a brief survey of the fast developments in the field of CESDP. After promising informal developments during the presidency of

later to endorse and legitimize any agreement. we must never forget that we will need them all if there is ever a settlement – the EU for economic assistance, our NATO allies for the new post-UN peace-keeping force, the UN for legitimizing resolutions...’. Assuring close contact with the three major EU member states in the Contact Group would indeed be quite important to get this post-settlement support from the EU, NATO and the UN, as the three major EU member states were also major players in these three organizations.

'neutral' Austria at the end of 1999,⁴⁷ the formal commitments of the European Council in Cologne (June 1999) and especially the institutional and practical arrangements accepted in Helsinki (December 1999) confirmed that the EU member states were willing to transform the EU into a fundamentally different international actor.

The European Council of Cologne on 3 and 4 June 1999 adopted a 'Declaration on Strengthening the Common European Policy on Security and Defence',⁴⁸ which showed that the military dimension had become an acceptable part of the integration process for all member states. The member states confirmed in this Declaration that the EU must have the capacity for autonomous action backed up by credible military forces, the means to take the decision to use these forces, and a readiness to do so, in order to respond without prejudice to international crises and actions by NATO. They accepted that the European Council should have the ability to take decisions on the full range of conflict prevention and crisis management tasks defined in the Treaty on European Union, the 'Petersburg tasks'. The European Council's appointment of former NATO Secretary-General Solana as High Representative for the CFSP (and Solana's willingness to accept this new function) further indicated that the member states were serious in their commitment to strengthen the EU as an active and credible actor in international politics. This was further underlined by the decision to appoint Solana also as the new Secretary-General of the WEU.⁴⁹ The appointment of a strong figure as High Representative of the CFSP was important because the High Representative can play a crucial role in providing crucial aspects of foreign policy which were lacking in the CFSP and which have been seen both as reasons for the failure of the CFSP and as arguments for establishing a directorate mechanism: leadership, visibility, a strong and credible external representation, the capacity to negotiate in a permanent way and on a high level with third partners, etc.

The Cologne commitments on creating a defence component within the CFSP were translated within the following six months into concrete objectives and institutional provisions, which were adopted by the European Council in Helsinki in December 1999 (again under the presidency of a 'neutral' member state,

47) Compare the informal meetings of the European Council in Pörschach on 24-25 October 1998 and of the Ministers of Defence of the EU member states in Vienna on 3-4 November 1998, and the Franco-British joint declaration of 4 December 1999 (*Agence Europe*, 26 October 1998, 5 November 1998 and 7 December 1998).

48) *Presidency Conclusions*, Cologne European Council, 3 and 4 June 1999, SN 150/99, p. 2; and Annexe III, pp. 33-42.

49) *Agence Europe*, 13 November 1999, p. 5. Another indication of the commitment of the member states was the Council decisions on arrangements for cooperation between the EU and the WEU (*Official Journal of the European Communities*, L123, 13 May 1999, p. 14; and L163, 29 June 1999, p. 25).

Finland).⁵⁰ The European Council agreed on the objective that, by 2003, member states must be able to deploy within 60 days and sustain for at least one year military forces of up to 60,000 personnel capable of the full range of Petersberg tasks. The European Council decided to establish within the EU Council by 2003 at the latest the following new permanent political and military bodies: a standing Political and Security Committee (composed of national representatives at ambassadorial level), a Military Committee (composed of the Chiefs of Defence, represented by their military delegates) and a Military Staff. The determination of the member states to develop a defence component could especially be seen in the decision to set up within the Council a standing interim political and security committee, an interim body of military representatives of member states' Chiefs of Defence and a body of military experts, and this within three months of the Helsinki summit. Along with the decision that the Defence Ministers of the member states will participate in General Affairs Council discussions related to the CESDP,⁵¹ this points to a spectacular shift of the EU from an organization in which defence and military affairs were much of a taboo to an organization with a military component in both instruments and institutional set-up.⁵²

Returning our attention to the main theme of this chapter, it is important to note that these fast changes have been made possible by the recent rapprochement among the foreign policy stances of the three largest member states. The Blair government adopted a more *pro-European* attitude than previous British governments. It no longer looked upon a stronger European foreign policy as incompatible with loyalty to the Atlantic Alliance and it tried to use the CESDP as an instrument to show British leadership within the EU. French political leaders also adapted some of their traditional attitudes and de facto assumed a more *pro-Atlantic* attitude than before. Bonn adopted a more *pro-interventionist* attitude and accepted that Germany too had to participate in external military operations. These moves were sealed in several bilateral initiatives and agreements, leading to a 'large-capital-led' dynamics that was necessary for the changes at EU level. Most important was the Franco-British joint declaration on European defence issued by

50) *Presidency Conclusions*, Helsinki European Council, 10 and 11 December 1999, SN 300/99, Annexe IV, pp. 19-29.

51) During the Finnish presidency, on 15 November 1999, there was also a first formal meeting of the General Affairs Council (which consists of the Ministers of Foreign Affairs) in the presence of the Ministers of Defence of all member states (*Agence Europe*, 17 November 1999, p. 5).

52) Other developments and negotiations also indicated that the member states were serious in realizing the new aim of a CESDP. For instance, negotiations started on practical arrangements with NATO (including security arrangements to allow NATO and the EU to exchange sensitive information). In addition, discussion has started about concrete commitments of the member states to strengthen their military capabilities and about the desirability of 'military convergence criteria'. On the latter subject, see Antonio Missiroli 'European Security and Defence: The Case for Setting "Convergence Criteria"', *European Foreign Affairs Review*, 1999, 4(4), pp. 485-500.

the Franco-British summit in Saint Malo on 4 December 1998, which paved the way for the CESDP Declaration of the European Council in Cologne. The preparedness in the three major capitals to adapt radically their traditional mindset was strengthened by the Kosovo crisis in 1998 and, especially, by the increasing frustration in London, Paris and Bonn over Europe's military impotence and dependence on the US during the Kosovo war in the first half of 1999.⁵³

The previous chapter showed that the fundamental differences between the large member states was one of the reasons why a directorate of London, Paris and Bonn has not been effective and why an institutionalization of the directorate phenomenon could not turn the CFSP into a more assertive and powerful actor. The changes since the end of 1998 indicate that this argument *against* a directorate in the CFSP is gradually eroding. Interestingly, however, a move towards a directorate of large member states – which has theoretically become more feasible than before – has not been necessary because one of the arguments *in favour* of a directorate has to some extent been eroding too: the difference between the large member states and the other member states. The 'neutral' countries in particular have fundamentally adapted their views on a European security and defence policy and have accepted the proposals of the larger member states. Sweden and Finland also formulated and pushed through concrete proposals on 'civil crisis management' that perfectly supplemented the other proposals, which focused more on military crisis management.⁵⁴ This changing attitude of the traditionally 'neutral' countries was essential to prevent the larger member states from moving forward outside the EU framework.

Another argument in favour of a directorate also seems to have lost some clout or – perhaps better – *might* in the coming year increasingly lose clout. A development towards a full-fledged CESDP – with real military instruments, procedures and actors, with functioning arrangements with NATO and with a clear leadership in the person of the High Representative – might lead to a CFSP /CESDP that allows the EU to intervene as an active, influential and credible force in international politics. The need for strengthening the directorate phenomenon out of frustration (by the large member states as well as by other major actors such as the US) with the existing set-up of CFSP will diminish or disappear to the extent that the CFSP/CESDP will be able to prove its efficiency. The conditionality of the previous line of thought is clear. Translating the new commitments of the Helsinki European Council into operational terms is not evident and it remains to be seen what the final result will be (for example, with regard to the crucial military and institutional arrangements with NATO and the

53) For an analysis of the Saint Malo Declaration and the fundamental changes in the British position, which was at the basis of the new dynamism in the defence field, see Sven Biscop, 'The UK's Change of Course: A New Chance for the ESDI', *European Foreign Affairs Review*, 1999, 4(2), pp. 253-268.

54) See Hanna Ojanen, 'Participation and Influence: Finland, Sweden and the Post-Amsterdam Development of the CFSP', *Occasional Papers 11* (Paris: WEU Institute for Security Studies, 2000), p. 26.

US). Nevertheless, the necessary political will to succeed in this field seems to be present.

Much more problematic are two other issues. First, there is the reinforcement of the military capabilities of the European countries, which is needed to give the Europeans a real option of autonomous military action. This requires not only political will and political decisions but also indispensable financial decisions by the member states as well as structural changes in the dispersed European military industry.⁵⁵ Secondly, there is the crucial but often neglected question of whether the common *foreign* policy of the EU has advanced sufficiently. The danger exists that, within some years, the EU will possess a basic capacity for civil and military crisis management, but will not be able to make use of its new capabilities as a result of lasting divergences about the nature and solution of specific crises and conflict. More specifically, do the member states already have a common view on, for instance, the Middle East, Central Africa, the Caucasus or the question of whether to prefer promoting human rights in China or promoting friendly political (and economic) relations with China? Is there a common perspective in these issues, which is an absolute requirement for developing an active, efficient and coherent common policy towards these parts of the world? In short, an effectively elaborated common *security and defence* policy can only have a real impact if it is based on an equally well-developed common *foreign* policy.

These critical comments point to the remaining weaknesses of the whole CESDP project, but are also valid for the directorate formula. Two important arguments against a directorate in the EU are indeed to a large extent still relevant: the argument of the (too) limited military capabilities of the large member states and the argument that the large member states still have quite different interests and views about specific conflicts and areas in the world – despite the rapprochement of the general European security architecture. Hence, a directorate mechanism still cannot adequately solve the problems of the CFSP/CESDP as a whole.

A Plea for the Option of Temporary Restricted Crisis Management Groups

The conclusion of the previous paragraph does not mean that there is no need to give the major EU member states a prominent position in the CFSP/CESDP or no need to formalize some form of directorate in certain circumstances. Several arguments in favour of a directorate are indeed to a lesser or larger degree still valid. Giving a prominent position to the large member states, however, requires that methods can be found to respond to the concerns and negative attitudes of

55) See the analysis of the European military industry in Simon Duke (ed.), *Between Vision and Reality: CFSP's Progress on the Path to Maturity* (Maastricht: European Institute for Public Administration, 2000), pp. 141-237.

most smaller EU member states *vis-à-vis* a larger impact of the major member states.

A distinction can be made between, on the one hand, policy-making concerning diplomatic CFSP issues and 'military' CESDP issues at the low level of the Petersburg tasks (humanitarian and rescue tasks and peace-keeping tasks) and, on the other hand, policy-making on 'military' CESDP issues at the highest level of the Petersburg tasks (tasks of combat forces in crisis management, including peace-making).⁵⁶ Clear links exist, however, between both levels of EU intervention and between finding satisfactory methods of developing a 'small confidential framework' at both levels. On the one hand, the option of a restricted crisis management mechanism for tackling effectively the most difficult and high-risk crisis management tasks at the higher level of the Petersburg tasks is important for the success of EU involvement at the lower level of the Petersburg tasks as well as for increasing the general status and efficiency of the EU as an international actor. Formal arrangements for crisis management will enhance the credibility and efficiency of the EU in fulfilling humanitarian, rescue and peace-keeping tasks and in general diplomatic negotiations and mediations of the EU. Other external actors in a crisis will be conscious that the EU, if necessary, has the capacity to pass towards a higher level of crisis management, which will increase their inclination to take EU initiatives seriously. On the other hand, strengthening the efficiency of the EU as a diplomatic actor and as an operational actor at the lower level of the Petersburg tasks can help the EU to avoid an escalation of a crisis or conflict and avoid the need for the EU to pass to much more risky crisis management operations.

Concerning the diplomatic CFSP issues and military CESDP issues at the low level of the Petersburg tasks, a rather *informal* solution can be found in the position of the High Representative for the CFSP and his policy planning and early warning unit. This requires that Solana and his team manage to develop a close and confidential informal relationship with the major EU states, with respect for their specific positions and sensitivities, while at the same time also managing to prove to the other member states that the High Representative and his team can be trusted as a guarantee that their interests, views and sensitivities will be taken into account and respected. The High Representative thus has to play a role that is to some extent comparable to the role of the European Commission in the first pillar, with the difference that the High Representative will have to pay more attention to the large member states than is the case in the first pillar (and that he does not have an exclusive right of initiative). The need for greater attention for the concerns of the largest member states follows from the more intergovernmental nature of the second pillar and from the larger dependence of the CESDP and the High Representative on the support of and input from especially Paris, London and Bonn (concerning information, foreign policy instruments, diplomatic channels of

56) The distinction between both is not always that clear. For instance, rescue operations sometimes require the involvement of combat forces.

influence, etc.). The latter is already mirrored in the policy planning and early warning unit, in which diplomats from the largest capitals dominate. A privileged relationship between the High Representative and the major member states (and major third countries such as the US) *de facto* already exists as a result of the close contacts that Solana developed in his function of NATO Secretary-General during the Kosovo war with the political and military leaders of these countries.

The challenge for Solana will be to find the delicate balance between special attention for the largest member states and sufficient involvement and recognition of the smaller member states' interests. One of the methods to make a *general* prominent position of the largest member states in the CFSP/CESDP acceptable for the other countries is to give the medium-sized and small member states a prominent position in the (usually limited number of) *specific* policy issues that are of high importance in the foreign policy of these countries (for example, Central Africa for Belgium, East Timor for Portugal, the Baltic area for Sweden and Finland, etc.). In other words, in his deliberations and activities the High Representative has to make clear that for those specific issues these smaller or medium-sized countries do belong to the 'major' member states and that they do earn a special position in CFSP/CESDP policy-making.

Concerning the military CESDP issues at the highest level of the Petersburg tasks, a more *formal* strengthening of the large member states' position and even an institutionalization of the directorate phenomenon may be required to allow the EU to negotiate and act in an effective and credible way in high-tension crises and in situations that may necessitate the forcible use of military instruments. Whereas all EU member states may be able and willing to contribute in a considerable way to humanitarian and peace-keeping tasks, this is not the case with crisis management and peace-making operations. In these operations in which combat forces are required, the burden will inevitably mainly fall upon the largest member states, which possess the largest military capabilities. These member states will only accept the CESDP as the major formal channel to tackle these kinds of crisis if they have a special status in policy-making on these issues and if they can work within a 'small confidential framework' among equals. This small confidential framework will also be necessary if the EU wants to be able to negotiate effectively on the sensitive details of agreements with the different actors in the conflict.

The CFSP/CESDP would therefore be strengthened if the possibility of a temporary restricted crisis management mechanism be formally foreseen for specific crises. This mechanism should, on the one hand, allow the major member states together with the High Representative (and possibly the Presidency) to negotiate with external actors and elaborate and implement the details of the EU policy and, on the other hand, include sufficient guarantees for the other member states and the EU as a whole. This mechanism has to include a procedure to establish a temporary Restricted Crisis Management Group as well as methods to assure a close link with the general EU policy and minimum involvement of the other member states. Both aspects are analysed here in more detail, providing some concrete suggestions for developing such a restricted crisis management mechanism and group.

Crucial in a restricted crisis management mechanism is the procedure to trigger off the creation of a Restricted Crisis Management Group, which has to include specific conditions, guidelines for membership and a decision-making procedure.

Firstly, the procedure has to define the kind of circumstances and conditions under which a Restricted Crisis Management Group can be established. This has to guarantee that the crisis management mechanism is only used in very specific (generally rare) situations in which (potentially) violent conflicts or crucial negotiations with fighting parties or other major powers in the world necessitate a small confidential framework with close involvement by the most powerful EU actors.

Secondly, it has to specify guidelines for membership of such a Restricted Crisis Management Group, which can be based on different kinds of criteria. With regard to the choice of member states involved, possible criteria are: the percentage of soldiers that a member state provides (or promises to provide) to combat forces in a possible EU crisis management operation; the percentage of essential military equipment provided by this member state (such as jet-fighters); and the disposal of the territory of a member state as a base for the EU crisis management operation. This implies that the member states that participate in a Restricted Crisis Management Group can be different for different policy issues and also that small or medium-sized member states can become members of this Group if they are so closely involved in a specific crisis that they meet one of the criteria. Other members of the Restricted Crisis Management Group are the High Representative and the Chairman of the new Standing Political and Security Committee (should this be a different person than the High Representative) and/or the chairman of the new Military Committee of the EU (depending on the exact composition, functions and hierarchical positions of these new EU bodies). The Commission and member states that are not part of the Restricted Crisis Management Group but nevertheless have a larger input in tackling the crisis than other non-involved member states can appoint liaison officers to the Restricted Crisis Management Group.

Thirdly, the procedure should allow a decision on creating a Restricted Crisis Management Group to be adopted by a qualified majority (which may be a 'strengthened' qualified majority). This is necessary to prevent one member state from blocking further actions and thus condemning the EU to paralysis in a period of crisis.

Besides the procedure for triggering the creation of a Restricted Crisis Management Group, the restricted crisis management mechanism has to establish procedures and methods with guarantees for the member states that do not belong to the Restricted Crisis Management Group. A minimum involvement of these countries has to be ensured. The situation whereby they are confronted with a fait accompli that they cannot influence at all must be avoided. Moreover, a close link between the activities of the Restricted Crisis Management Group and general EU policy has to be guaranteed. Several methods can be used for that purpose.

Firstly, a mechanism has to be established to guarantee regular consultation and information on the activities of the Restricted Crisis Management Group. One possibility is to use the formula of Article 19(2) of the Treaty on European Union on the UN Security Council: 'Member States which are also members of the United Nations Security Council will concert and keep the other Member States fully informed. Member States that are permanent members of the Security Council will, in the execution of their functions, ensure the defence of the positions and the interests of the Union, without prejudice to their responsibilities under the provisions of the United Nations Charter'. However, the experience with this article is not very positive, which implies that a more stringent arrangement might be necessary. An alternative option is to elaborate and institutionalize the *ad hoc* arrangement that was used in the Kosovo crisis. The initial condemnation by small countries of the functioning of the Contact Group in the Kosovo crisis was followed by the decision to convene an informal meeting of the fifteen Foreign Ministers to coordinate the EU's position on Kosovo prior to the ministerial meeting of the Contact Group.⁵⁷ This kind of informal preliminary meeting at the level of Ministers of Foreign Affairs and of high diplomats (and a Commission representative) might be convened on a regular basis. The member states that do not belong to the Restricted Crisis Management Group have to leave the latter a sufficient degree of flexibility, however, so as to ensure that it can firmly and efficiently negotiate with external partners and that it can react swiftly to new developments in the crisis. In other words, the Restricted Crisis Management Group cannot depend on 'instructions' from the informal meetings of all member states and on finding a consensus within this informal consultation and coordination body.

Secondly, the High Representative for the CFSP/CESDP has the explicit task of ensuring that the interests and positions of the other member states and of the EU as a whole are taken into account during the activities of the Restricted Crisis Management Group. During the deliberations and decision-making of the Restricted Crisis Management Group the High Representative has to introduce the views that the other member states have formulated during the Council meetings and the meetings of the informal consultation and coordination body. The success of the High Representative in doing so will be crucial in diminishing the other countries' fear of the restricted crisis management mechanism.

The High Representative will also in two other respects be important for the success of the crisis management mechanism. Firstly, he not only has to assure the link between the Restricted Crisis Management Group and the other EU member states. He will also have to ensure internal cohesion and effective policy-making within the Restricted Crisis Management Group. One of his main tasks will indeed be to get and keep the different members of the Restricted Crisis Management Group on the same line, which is not that evident. To ensure this internal cohesion

57) 'EU/Belgium: Mr Derycke Condemns the Return to Directorship', *Agence Europe*, 10 February 1999, p. 3; 'EU/Kosovo: Informal Meeting of the Fifteen Foreign Ministers', *Agence Europe*, 13 February 1999, p. 3.

and effective policy-making, the High Representative may be allocated the task of formulating policy proposals for the Restricted Crisis Management Group in order to facilitate the decision-making process and the development of new initiatives (to some extent similar to the role of the Commission in the first pillar). In his policy proposals, the High Representative can take into account the sensitivities and views of the different member states as well as the requirement of effective and firm external action. Secondly, the High Representative will have an important role in ensuring effective external conflict management by the Restricted Crisis Management Group, acting as the main permanent negotiator with external actors. Interestingly, the more successful that the High Representative will be in his external negotiations and crisis management as well as in making himself acceptable as negotiator for all EU member states (members as well as non-members of the Restricted Crisis Management Group), the more the restricted crisis management mechanism may become dispensable and the more the High Representative may become the most responsible for conflict management, as the central person within the institutional set-up of the Amsterdam Treaty and Helsinki European Council.

The formalization of a kind of restricted crisis management mechanism within the EU will not be self-evident. Especially those EU member states that will not be members of the Restricted Crisis Management Group may have difficulties with a formalization of the directorate phenomenon. Nevertheless, they might keep in mind that such a mechanism also has advantages for them. It can help avoid large members from choosing another forum outside the EU framework. It includes guarantees for the member states that are not part of the Restricted Crisis Management Group (which is not the case in other fora outside the EU). And, in particular, it should increase the efficiency of EU policy and thus also improve the security situation of the EU as a whole. In other words, an institutionalized restricted crisis management mechanism may be preferable for them to an *ad hoc* Contact Group model outside the EU framework.

4 Core and Periphery in European Security

Paul Luif

Dimensions of Europe's Core and Periphery

The Geographical Space

Looking at the map of Europe and the countries that form the European Union (EU), it is clear that the core of the EU today is still where it was at the time of the creation of the European Coal and Steel Community (ECSC) in the early 1950s: along the banks of the river Rhine, only Italy among the founding members being somehow a peripheral country, in particular its southern part.

The subsequent enlargements did cancel themselves more or less out. The first northern enlargement moved the geographical centre slightly to the north-west, the two southern enlargements strengthened the place of the countries bordering on the Mediterranean. German reunification and the accession of Austria, Finland and Sweden extended the borders of the EU and its geographical centre of gravity again eastwards to central Europe as well as to the European north.

The Economic Space

The EU's economy gives a picture similar to the geographical configuration. The disparities in GDP per capita exhibit a distinctive core-periphery pattern, with the more prosperous regions located close to the geographical centre of the Union.¹ The unemployment figures display similar data: higher unemployment in countries away from the geographical centre.

1) Mark Hart, 'Convergence, Cohesion and Regionalism: Contradictory Trends in the New Europe', in: Brian Graham (ed.), *Modern Europe: Place, Culture and Identity* (London, Sydney, Auckland: Arnold, 1998), pp. 164-185, at p. 170.

Some convergence has taken place, yet only at a very gradual pace. The one country that has caught up rather fast with the more prosperous centre has been Ireland; Greece on the other hand had troubles in narrowing the gap. But the most developed parts of Europe have been centred on a core of major cities and advanced city regions largely located along the axis extending from Greater London through Benelux and the Rhinelands into the western half of Germany to northern Italy. The concentration of development dates back at least to the medieval world.²

Another measure for the core-periphery relationship can be participation or non-participation in the third stage of Economic and Monetary Union (EMU). Once again, all the countries not in the first group (the UK, Denmark, Sweden and Greece) are, with the possible exception of Denmark, geographically peripheral EU member states.

The Political Space

Since the beginning of European integration, France and Germany were at the centre of EU politics, the most important members when it came to decision-making. It was their 'reconciliation' that constituted the foundation of the EU. They have largely maintained their prominence in EU decision-making, although EU membership rose from the original Six to Fifteen.

It does not mean that the other member states, be they small or large, are all the time only of peripheral importance in the EU's political processes. One could list a number of reasons for a diminishing centrality of the French-German couple: increase in membership; more use of qualified majority voting in the Council and with that a more structured decision-making, which diminishes the influence of informal mechanisms (usually some variation of 'power politics'); the 'normalization' of German behaviour, etc. But whenever France and Germany have agreed on an issue, the other countries have found it hard to spoil that consensus.

The Security Space

Security matters, in particular hard security, have been dealt with in western Europe (since the failure to create a European Defence Community between 1952 and 1954) by NATO, under the leadership of the United States. The positions of EU member states have been rather diverse. Two of them – France and the United Kingdom – used to be Great Powers, and they still have, as nuclear powers and

2) Michael Dunford, 'Economies in Space and Time: Economic Geographies of Development and Underdevelopment and Historical Geographies of Modernization', in: Brian Graham (ed.), *Modern Europe: Place, Culture and Identity* (London, Sydney, Auckland: Arnold, 1998), pp. 53-88, at pp. 53-54.

permanent members of the UN Security Council, a special position. But these (formal) similarities did mask their opposing positions vis-à-vis a European security policy, which existed for a long time, with France pushing for an autonomous European defence capability, and the UK stressing the importance of NATO and the presence of the United States in European security matters.

Since the beginning of the integration process, Germany has rather 'timidly' promoted its national interests and tried to balance the French and British positions in security matters. Among the smaller countries, it was the Netherlands that for a long time strongly supported NATO and the transatlantic connection.

Before 1995, only one EU member stood outside NATO – Ireland. Its peripheral position in military security matters was for a long time quite irrelevant, both for Ireland as well as for the other EU members, since such tasks were not part of the EU treaties. Denmark, a member of NATO but not the Western European Union (WEU), got an exception from participation in defence matters in the context of the ratification of the Maastricht Treaty. It will not participate in the elaboration of a defence policy and when it has the presidency of the EU Council, it will not head meetings dealing with defence matters.³

In 1995 three countries, all of them not members of NATO, joined the EU: Austria, Finland and Sweden. They did not get the exception that Denmark had obtained and even had to sign a Joint Declaration, added to the Final Act of the Accession Treaty. In this declaration the acceding states promised that they 'will, from the time of their accession, be ready and able to participate fully and actively in the Common Foreign and Security Policy as defined in the Treaty on European Union'. An even stronger assurance was added:

With regard to Member States' obligations deriving from the Treaty on the European Union concerning the implementation of the Union's Common Foreign and Security Policy it is understood that on the day of accession the legal framework of the acceding countries will be compatible with the 'acquis'.⁴

What is the position now of these 'neutral' or 'non-aligned' EU countries?⁵ Since they are both small and not members of NATO, there can be no doubt that they

3) See *Official Journal of the European Communities*, C 348, 31 December 1992.

4) See 'Documents Concerning the Accession of the Republic of Austria, the Kingdom of Sweden, the Republic of Finland and the Kingdom of Norway to the European Union', *Official Journal of the European Communities*, C 241, 29 August 1994, p. 381.

5) The Finnish and most of the time also the Swedish governments do not use the term 'neutral' any more. They prefer the designation 'non-aligned' instead. In English, the term 'non-alignment' is rather problematic, as it has been previously used mostly in connection with the Non-Aligned Movement of chiefly Third World countries. This could be the reason that in EU texts one finds the expression 'non-allied' members. In academic texts one can also encounter the term 'post-neutrals'.

have not been part of the core group of EU member states in security matters. How 'peripheral' have they been here?

Table 1 of this chapter analyses the voting behaviour in the UN concerning only security questions debated and voted on in the General Assembly (nuclear armament, disarmament, etc.). If one uses this data for positioning the EU member states in security matters, the most striking result is the consistent core, the founding members minus France. Already in 1979, these five countries differed in their attitudes from France, the UK and Ireland, but differences among EU member states were relatively small. The renewed Cold War in the first half of the 1980s clearly increased the distances among the EU member states, and particularly Greece, Ireland and Denmark moved away from the EU core. After the end of the East-West confrontation (following the fall of the Berlin Wall on 9 November 1989) the voting behaviour of most EU member states converged, with the exception of France and the UK. Austria, Finland and Sweden, which had applied for EU membership between 1989 and 1992, started to align their voting behaviour (under the prodding *inter alia* of the EU Commission) to that of the EU majority. Since 1992 (thus already before they joined the EU) they have voted similarly to the EU's core countries. Ireland changed its position in a comparable way.

What do these data tell? In the context of the UN General Assembly, where not much more than 'verbal behaviour' counts (voting on the texts of Resolutions), one cannot distinguish any more between NATO members and non-aligned countries among the EU member states; there exists a rather large consensus. The only 'peripheral' EU countries in the General Assembly are the UK and France, which have distinct positions and different interests in questions concerning, especially, nuclear weapons and disarmament.

These data hint (but do not clearly show) that France and the UK have been at the opposing ends of EU security policies, as mentioned above. In the second half of the 1990s, the positions of France and the United Kingdom started to change. In 1996, President Jacques Chirac announced his intention to return France to some of NATO's central military command institutions. But this move did not lead to a full integration of France into NATO's military cooperation. It came to a standstill when in August 1996 the French put forward a proposal for a rotating European Armed Forces South (AFSOUTH) command at Naples, which the US rejected.⁶

On 20 October 1998, a few days before the informal EU Summit at Pörtschach, the British Prime Minister, Tony Blair, announced that 'he was ready to drop Britain's longstanding objections to the EU having a defence capability'.⁷ This change in the British position brought it closer to the longstanding French

6) Ronald Tiersky, 'France, the CFSP, and NATO', in: Pierre-Henri Laurent and Marc Maresceau (eds), *Deepening and Widening: State of the European Union*, vol. 4 (Boulder CO, London: Lynne Rienner, 1998), pp. 177-188, at p. 180.

7) Philip Webster, 'Britain to Back Defence Role for Europe', *The Times*, 21 October 1998 [Internet].

views. The Anglo-French Summit in Saint Malo, France, on 4 December 1998 gave a clear sign of this rapprochement.⁸

Suddenly, the view to create an 'autonomous' European defence capability was the core position towards which all other EU member states more or less had to move. The formerly widely held position that the EU was basically a 'civilian power' quickly crumbled – be it for the British-French initiative, be it because of the experiences of the Kosovo crisis. This change of mood confronted especially the non-aligned EU member states with potential problems.

The Security Policies of the Non-Aligned/Neutral EU Members

The three new non-aligned EU members opted (as Ireland and NATO member Denmark had already done in 1992) for observer status in the WEU. The WEU, with its ten full members that are all EU states, has developed a very elaborate system of various degrees of relations with other countries (from the EU and NATO as well as their candidates for membership), and brought them step by step closer to participation in its decision-making procedures.

NATO offered participation in the Partnership for Peace (PfP) programme to all European countries at the Summit Meeting in Brussels in January 1994. The governments of Finland and Sweden were quick to accept this offer and signed the 'Framework Document' in May 1994. The decision on PfP took longer in Austria, where the Social Democrats (SPÖ) opposed participation for several months whereas the junior partner in the 'grand coalition' government – the conservative People's Party (ÖVP) – strongly pushed for participation. Only in February 1995 did Austria sign the 'Framework Document'. The same situation could be discerned with 'enhanced PfP', launched by the Allied Foreign and Defence Ministers in spring 1997, when once again Finland and Sweden reacted much earlier in a positive way than the Austrian authorities.

Ireland joined NATO's Partnership for Peace only in late 1999. The senior party in government, nationalist Fianna Fáil (a 'Gaullist' party), had rejected membership for a long time, whereas its smaller partner, the Progressive Democrats, favoured membership. The opposition was split as well. Fine Gael (Christian Democrats) supported joining PfP; Labour, the Democratic Left, the Greens and Sinn Féin were against.

At the Intergovernmental Conference (IGC) that led to the Amsterdam Treaty, the Austrian government wanted a 'step-by-step transition to a communitarian approach [in the sense of the supranational first pillar, the Community domain] in foreign policy questions'. It also wanted a 'further

8) See Franco-British Summit, *Joint Declaration on European Defence*, 4 December 1998, Saint Malo [French Embassy in the United Kingdom, Internet].

convergence of the EU and the WEU' so that the EU should be able to give 'directives or instructions' to the WEU for the so-called Petersberg tasks.⁹

But the Finnish and Swedish Foreign Ministers had the biggest impact on the IGC with their initiative to strengthen the conflict management capability of the EU and to include the Petersberg tasks into the Treaty on European Union. Their aim was to 'enhance the EU's role in promoting peace and security'. In order to achieve this the EU should 'be in a position to apply the whole gamut of instruments, from conflict prevention measures of various kinds to armed peace-keeping actions'. The latter should 'be based on a mandate from the UN or the Organization for Security and Cooperation in Europe (OSCE)'. For the EU to be able to engage in military crisis management there should be a closer linkage with the peace-promoting activities of the WEU. The Finnish and Swedish Foreign Ministers proposed a solution allowing all EU member states to take an equal part in decision-making and execution of the operations that the WEU carried out on behalf of the EU. But a merger of the EU with the WEU was not on the agenda for them, since it would be inconsistent with Finland's and Sweden's policy of non-participation in military alliances.¹⁰

This initiative has to be seen in the context of the discussions at the IGC on the relations between the EU and the WEU. France and Germany had proposed a transfer of the WEU into the EU, at least in the medium term, at the end of February 1996.¹¹ Other EU member states wanted to introduce a mutual defence guarantee into the EU Treaty. With their proposal from April 1996, which was also touched upon in the Franco-German paper, the Finnish and Swedish Foreign Ministers made a successful 'pre-emptive strike' to avoid any further pressure on the neutrals in CFSP matters. It was the lowest common denominator for all participants since at that time also the British representatives wanted to avoid any fusion of the WEU with the EU.

The inclusion of the Petersberg tasks into the Amsterdam Treaty was an important element for the reduction of the 'peripheral' position of the non-aligned countries (and Denmark) in security and defence matters. At the same time, a gradual enhancement of the observer status in the WEU took place as well.

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- 9) *Österreichische Grundsatzposition: Regierungskonferenz 1996. Beschlossen vom Ministerrat am 26.3.1996*, mimeo, p. 19, translation by Paul Luif. The Petersberg tasks include humanitarian and rescue tasks; peace-keeping tasks; tasks of combat forces in crisis management, including peace-making (= military peace enforcement).
 - 10) 'Swedish-Finnish Initiative to Strengthen Conflict Management Capability', article by Ministers for Foreign Affairs Lena Hjelm-Wallén and Tarja Halonen on a Swedish-Finnish initiative designed to strengthen the EU's conflict management capability, published in Finland (*Helsingin Sanomat*) and Sweden (*Dagens Nyheter*) on 21 April 1996, unofficial translation [Virtual Finland, Internet].
 - 11) See the text of the Franco-German guidelines for the CFSP in Matthias Jopp and Otto Schmuck (eds), *Die Reform der Europäischen Union: Analysen – Positionen – Dokumente zur Regierungskonferenz 1996/1997*, Analysen des Instituts für Europäische Politik, Band 11 (Bonn: Europa Union Verlag, 1996), pp. 118-120.

Decisions in this regard were made at the meetings in Birmingham in May 1996, Amsterdam in June 1997 and Brussels in July 1997.¹² The Erfurt WEU Ministerial Council welcomed in the Erfurt Declaration of 18 November 1997 that observers could 'participate fully in accordance with their status in all Petersberg operations undertaken by the WEU' and wished 'maximum participation' in the WEU's activities by observers, 'in particular in the fields of armaments, space and military studies' (Point 29).

The Cologne European Council of 3-4 June 1999 expressed the will 'to develop an effective EU-led crisis management in which NATO members, as well as neutral and non-allied members, of the EU can participate fully and on an equal footing in the EU operations'.¹³ The Presidency Report on Strengthening of the Common European Policy on Security and Defence, approved by the Cologne European Council, stressed that the 'successful creation of a European policy on security and defence' would require among other things 'the possibility of all EU member states, including non-allied members, to participate fully and on an equal footing in EU operations'. But at the same time it made a somewhat ambivalent statement concerning the non-aligned states and the military assistance clauses of the WEU and North Atlantic Treaties:

The Atlantic Alliance remains the foundation of the collective defence of its Members. The commitments under Article 5 of the Washington Treaty and Article V of the Brussels Treaty will in any event be preserved for the Member States party to these Treaties. The policy of the Union shall not prejudice the specific character of the security and defence policy of certain Member States.¹⁴

Already the Erfurt Declaration of November 1997 pointed to the need for 'clarifying the outstanding issues, including the possible involvement of non-Allied WEU Observer States in the NATO defence planning process' (Point 18). This reference to NATO has to be seen in the context that NATO will be part of Europe's security structures for a long time to come. Completely autonomous robust military actions by the (W)EU are not for the immediate future. Therefore, fully taking part in European security and defence policy will mean unrestricted

12) Gunilla Herolf, 'The Role of Non-Aligned States in European Defence Organizations: Finland and Sweden', in: Mathias Jopp and Hanna Ojanen (eds), *European Security Integration: Implications for Non-alignment and Alliances*, Programme on the Northern Dimension of the CFSP, vol. 3 (Helsinki, Bonn Paris: Ulkopoliittinen instituuti-IEP-WEU Institute, 1999), pp. 137-166, at p. 149.

13) Cologne European Council, *Presidency Conclusions, Annexe III: European Council Declaration on Strengthening the Common European Policy on Security and Defence*, Point 3.

14) Cologne European Council, *Presidency Report on Strengthening of the Common European Policy on Security and Defence, Part 2*, added to Annexe III of the *Presidency Conclusions*.

participation in the planning activities, as well as in the command and control of NATO's military actions.

The apprehensions concerning the participation of neutrals/non-aligned in NATO activities (without the full commitment of Article 5 of the Washington Treaty) are rarely expressed in public, although many officials from the non-aligned countries experience problems when their country wants to be involved in sensitive military matters. One clear articulation of NATO's uneasiness with non-aligned countries has come from former US Ambassador to NATO, Robert Hunter:

[The United States does not] wish to see the European Union giving specific formal directions to the WEU with the participation of non-NATO members. While we can appreciate the role of these four countries (Ireland, Finland, Austria and Sweden) are now able to play, it is our concern that the actual direction to WEU operations not come from with their participating as well [sic].¹⁵

Why Article 5 Matters: The Case of Austria

The problem of the peripheral countries in European security and in particular of the neutrals/non-aligned cannot be fully comprehended without a detailed analysis of the influence that domestic politics have on their external behaviour. After the Second World War, neutral status was used by these countries not only to keep out of the Cold War conflict and maintain their political independence. Neutrality was also used as a convenient 'shield' for their 'corporatist' structures. The cooperation between the social partners and the government had to be 'defended' against unwanted influence from the outside. In negotiations with other countries, the neutrals could draw attention to their status in order to get special treatment. This was the case when Switzerland obtained a specific arrangement for its agriculture when joining the General Agreement on Tariffs and Trade (GATT), the reason being self-sufficiency in case of war. The same happened in the free trade agreements of all the neutrals with the EC: agriculture was not included in the agreements. Austria even got a special reservation to maintain quantitative restrictions for antibiotics.¹⁶ In the 1980s Sweden wanted exemptions from the

15) Robert E. Hunter, 'ESDI and the Future of Transatlantic Relations', in: Anne Deighton and Eric Remacle (eds), *The Western European Union, 1948-1998. From the Brussels Treaty to the Treaty of Amsterdam*, Studia Diplomatica, vol. 51, nos. 1-2 (Brussels: Institut royal des relations internationales, 1998), pp. 175-181 at pp. 180-181 [The original text is a bit distorted, but the message seems to be clear].

16) In Protocol No. 5 of the Free Trade Agreement Austria-EEC; the reason given for this exception was that Austria should have an indigenous production of this important medicine in cases of crises or wars.

free trade agreements to keep an endogenous shoe industry, pointing to the importance of shoes for the army of a neutral.¹⁷

In contrast to the other non-aligned EU members, Austrian neutrality has been based on a constitutional law and interpreted as an institution of international law. This had some advantages since it was not so much the 'credibility' of neutrality that was the standard by which to 'measure' the neutral behaviour. Therefore, the utterances of Pravda, etc., were less important than the statements by specialists in international law (who used to be mostly Swiss or Austrian). For a long time these lawyers made rather extensive interpretations of the obligations of 'permanent' neutrality. Only in the late 1980s did most of them start to change their position vis-à-vis the European Union and saw Austria joining the EU as legally admissible.

When Austria became a member of the EU on 1 January 1995, the government asserted that it wanted to put Austria at the centre of the EU by joining the exchange rate mechanism and by signing the Schengen agreement, both moves only later followed by Finland (Sweden has yet to decide on participating in the third stage of the EMU and introducing the euro).

But one area where Austria remained on the periphery for domestic reasons was defence integration. Neutrality used to be supported by all major parties and a large majority of the population. But in 1990 the leader of the populist Freedom Party (FPÖ), Jörg Haider, began to question the continuing relevance of Austria's neutrality. Ministers from the conservative ÖVP started to examine the future of neutrality in the early 1990s. But it took the Conservatives until July 1997 to decide officially on NATO membership for Austria. The Social Democrat Party (SPÖ) has until now defended neutrality. In its party programme it laid down rather awkward conditions for abandoning neutrality: 'a European security system and a new culture for coping with conflicts would be a model for peace that no European state should refuse.'¹⁸ The Greens have been strongly in favour of maintaining Austria's permanent neutrality. To renounce neutrality, a two-thirds majority would be needed in Parliament; this means that the SPÖ with more than one-third of the seats can block any such action. ÖVP and FPÖ have only an absolute majority in parliament.

It was the Iraq-Kuwait crisis that brought the first big changes for Austrian neutrality. When military action – the US-led Operation Desert Storm – started on 16 January 1991, the Austrian parliament adjusted neutrality in a hasty action that took a record short time of only 30 hours. Without changing the text of the Federal Constitutional Law on Neutrality (but amending the Federal Law on Import,

17) See Paul Luif, *On the Road to Brussels: The Political Dimension of Austria's, Finland's and Sweden's Accession to the European Union*, Laxenburg Papers, no. 11 (Vienna: Braumüller, 1995), p. 140.

18) 'Grundsatzprogramm der Sozialdemokratischen Partei Österreichs [beschlossen am Bundesparteitag in Wien-Simmering, 30./31.10.1998]', quoted from Christoph Kontanko (ed.), *Die Qual der Wahl: Die Programme der Parteien im Vergleich* (Vienna: Czernin Verlag, 1999), p. 52, translation by Paul Luif.

Export and Transit of War Materiel and the Penal Code), the primacy of the UN Charter over neutrality law was now accepted. A Resolution by the Security Council according to Chapter VII of the UN Charter would make neutrality irrelevant. The question that some lawmakers posed, but which was not answered by the amendments, concerned the standing of neutrality law vis-à-vis the acts of the EU. This problem was (temporarily) solved by introducing a new Article 23f into the Constitution, which has allowed Austria's full participation in the EU's CFSP. The ratification of the Amsterdam Treaty required a rather lengthy amendment of Article 23f, so that Austria could also participate in the Petersberg tasks.

Just before the start of the Austrian EU presidency (second half of 1998), the 'grand coalition' government wanted to decide on the future of Austria's security policy (to avoid any quarrel on that matter during the presidency). But SPÖ and ÖVP could not find an agreement. Thus the status of Austria has remained a bone of contention between both parties.

These domestic quarrels and the legal juggling have affected external relations. A case in point is the Social Democrats opposition to any transit of armaments without a UN Security Council mandate or outside the context of PfP (which Austria joined in 1995). Since decisions during the rule of the 'Grand Coalition' government (1987-2000) needed a consensus between SPÖ and ÖVP, the interpretation of the neutrality obligations by the Social Democrats practically defined Austrian behaviour. This was clearly demonstrated when in September 1998 France asked Austria for permission to transport war material on the Danube to Slovakia for military exercises there. Expecting an unproblematic go-ahead, the French had already chartered (and paid for) the necessary transport capacities on ships. When the Austrian authorities did not grant permission, France had to organize transport via Poland (and pay for the transport a second time).

This 'unfriendly' behaviour towards a fellow EU member state (and in addition the strongest supporter of a more independent European security policy) gave rise to hostile comments, as a British journalist later related:

The French were very very cross back in October [1998] when Austria decided that the French could not use Austrian territory to send some of their troops across to take part in peace-keeping exercises and Austria has been called in my presence 'a free rider' by other NATO members.¹⁹

This was not an isolated case. In January 1999, Austria rejected a request by the Hungarian authorities for a transit permit for troops participating in a NATO manoeuvre in Italy.²⁰ During the Kosovo crisis in spring 1999, Macedonia partici

19) Martin Walker, European Correspondent of the *Guardian* on Blue Danube Radio, Vienna, 12 December 1998.

20) 'Kein Transit für ungarische Truppen: Strenge Sicherheitsvorkehrungen im Ministerrat für riechischen Besuch', in: *Der Standard*, 17 February 1999, S. 7

pated in a PfP exercise in Germany and could send troops across Austria for that purpose. But the return trip was not permitted, since the troops would go from Austria to a crisis zone – Austrian law does not allow exportation of military goods in such areas.

The most dramatic and widely commented instance of Austrian ‘misbehaviour’ evolved during the Kosovo war. Austria did not allow the flight of NATO warplanes across its territory; the lack of a UN mandate was the justification for the interdiction of transit flights.²¹ Yet at the informal meeting of the EU heads of state and government in Brussels on 14 April 1999, Austrian Chancellor Viktor Klima (SPÖ) concurred with the Chairman’s Summary ‘that the use of severest measures, including military action, has been both necessary and warranted’ in Kosovo.²²

One can compare this contradictory behaviour of Austria with Hungary’s performance during the Kosovo war. Hungary had been a formal member of NATO for only ten days when the bombing of Yugoslavia started. Although it was in a perilous position – with a large Hungarian minority living in Serbia – it allowed transit flights of NATO warplanes. There can be no doubt that NATO’s Article 5 played a decisive role in the contrasting behaviour of Austria and Hungary.

The attitudes of the Austrian authorities have not only been contradictory. Taken seriously, Austrian neutrality could also have detrimental effects on the development of the CFSP and the EU’s defence policy. Austria would have to veto all actions by the EU (including all amendments to the EU treaties), which would be in contradiction to its neutrality. If the decision about the military actions in Kosovo had been made by the EU, even a ‘constructive’ abstention would not have been sufficient. Such an abstention allows the EU member to refuse participation in EU actions, but it must not hinder the actions of the other EU states – something that the Austrians did with reference to neutrality. When asked about this logic of Austria’s neutrality, the Chief Whip of the Social Democratic Party, Peter Kostelka, bluntly answered that such an interpretation was ‘correct’.²³ This reasoning would lead in the final instance to a ‘neutral/non-aligned’ EU.

A different logic led the mainstream (*herrschende Lehre*) of Austrian specialists of international law to assert now that the various (direct and indirect) amendments to Austria’s neutrality have emptied its content. Neutrality is therefore ‘no more a legally correct label for Austria’s status in the international community of states’. It would be more correct to speak about mere ‘non-

[Internet].

- 21) “‘Es blieb keine andere Wahl’: Klima und Schüssel sehen die Verantwortung für die Luftangriffe bei Milosevic”, in: *Der Standard*, 25 March 1999, S. 6 [Internet].
- 22) *Chairman’s Summary of the Deliberations on Kosovo at the Informal Meeting of the Heads of State and Government of the European Union in Brussels on 14 April 1999*, press release, 14 April 1999 [German presidency, Internet].
- 23) ‘Kleine Großmachtträume’, in: *Format*, no. 18, 2 May 1999 [Internet].

alignment' (Bündnislosigkeit).²⁴ In contrast to the SPÖ whip, lawyers maintain that Austria could use neutrality a few times as a reason to veto a decision concerning foreign policy or security issues, but it is required to be a loyal EU member and thus must not obstruct EU decision-making in CFSP and defence matters.²⁵

The Austrian politicians were 'schizophrenic' during the Kosovo war. But they were not alone in their incoherence; the general public in Austria has for a long time demonstrated inconsistent attitudes towards security and defence. When asked about the clear alternative of 'neutrality' or 'NATO membership' for Austria, a large majority (70 per cent and even more after the Kosovo crisis) opts for neutrality. But if a survey uses other expressions and alternatives, such as 'defending Austria alone' or 'defending it together with a group of countries', an absolute majority will opt for 'defending together'.

The coalition government of the conservative ÖVP with the populist FPÖ, which took up office in early February 2000, has been much more open towards military cooperation inside the EU. But the formation of this government put Austria into a peripheral position not yet experienced by any EU member state. Austria's fourteen EU partners cancelled all high-level relations and put the country into a diplomatic 'quarantine'. According to the EU-14, FPÖ and its leader have repeatedly questioned the 'values and principles of humanism and democratic tolerance underlying the European project'.²⁶

The conflict between the EU-14 and Austria could only be solved when a Report of three 'wise men' found that the Austrian government's respect for the rights of minorities, refugees and immigrants in particular 'is not inferior to that of the other European Union member states'. However, the FPÖ was regarded as a 'right-wing populist party with radical elements'.²⁷ On the basis of that report, the 'sanctions' against Austria were lifted on 12 September 2000. It seems that some of the smaller EU member states in particular, such as Denmark, wanted a quick end of this affair since sizeable parts of their population regarded them as bullying by larger member states, in particular by France.

24) Theo Öhlinger, 'BVG Neutralität', in: Karl Korinek and Michael Holoubek (eds), *Bundesverfassungsrecht. Loseblattaussgabe* (Vienna: Springer, Wien, 1999).

25) See also the debate between me and Professor Öhlinger: Paul Luif, 'Der Zwang zur Blockade: Österreichs Neutralität verhindert ein europäisches Sicherheitssystem', in: *Der Standard*, 18 November 1999, p. 38; and Theo Öhlinger, 'Neutralität als Etikettenschwindel: Kann man etwas "aushöhlen", was de facto gar nicht mehr existiert?', in: *Der Standard*, 23 November 1999.

26) *Portuguese Prime Minister's Office Press Release* on the constitution of the new Austrian Cabinet, 3 February 2000 [Internet].

27) Report by Martti Ahtisaari, Jochen Frowein, Marcelino Oreja, adopted in Paris on 8 September 2000, mimeo, points 108 and 110.

Conclusions

In the Austrian debate on defence matters, but also in other non-aligned countries, it is often asserted that a mutual military assistance clause ('Article 5') is not necessary for defence cooperation in the EU and between the EU and NATO.²⁸ It seems that in the Europe of today territorial defence is not essential any more. But one forgets that a crisis such as Kosovo could have escalated and even directly involved NATO countries like Greece or Italy. In addition, Article 5 made a big difference in the behaviour of two neighbouring countries: Hungary, only a member of the Atlantic Alliance for a few days, supported the NATO actions in Kosovo and allowed overflights by NATO warplanes; whereas Austria did not because of its 'neutrality' status.

During the Cold War the neutral and non-aligned (N+N) countries of Europe cooperated rather closely in the N+N group, which had a useful role particularly in the CSCE. The end of the Cold War and the breakup of Yugoslavia ended this cooperation. Could it be somehow revived in the EU so as to enhance the peripheral position of the non-aligned in security matters? This is rather doubtful. Political geography alone creates obstacles: the position and situation of Austria is different from Finland or Sweden and again dissimilar from Ireland's geographical and political location. The three latter countries are more peripheral from a geographical point than Austria, which is much nearer to crises' areas and directly and indirectly much more affected by them. In the context of the Baltic Sea area, one can still argue that non-alignment is a valid foreign policy status since NATO membership of the three Baltic states is – if at all – only a remote possibility. Ireland is far away from any international crisis spot.

In contrast, Austria will be surrounded more and more by NATO members. In a few years it could be (together with Switzerland) a neutral 'island', being in the centre of Europe but a very peripheral state in security matters. Its government will have to cope with extensive cross-pressures – externally but also internally.

The non-aligned states potentially complicate decision-making processes in the EU and NATO. In particular, the still important relations between the EU and NATO could be hampered. NATO will be very reluctant to give sensitive information to representatives of countries whose lack of commitment could lead in crisis situations to behaviour that would make operations more difficult and dangerous than they, because of their nature, already are.

28) See, for example, Heinz Gärtner, 'Sicherheitspolitik im neuen Europa: Optionen für Österreich', in: Trautl Brandstaller (ed.), *Österreich 2½: Anstöße zur Strukturreform* (Vienna: Deuticke, 1996), pp. 283-309.

Table 1 Voting Behaviour of the EU Member States and Other Selected Countries in the General Assembly of the United Nations: EU Majority Votes – Distance Index
 Votes Concerning Security Questions
 (Maximum Distance from EU Majority = 100, Minimum = 0)

	1979	1981	1983	1985	1987	1989	1990	1991	1992	1993	1994	1995
Austria	13	34	47	39	39	42	33	26	6	12	10	2
Finland	25	50	54	44	38	39	29	15	6	9	0	0
Sweden	15	32	46	41	39	41	35	18	6	12	8	2
Greece	(8)	28	48	43	34	31	12	15	6	3	0	2
Spain	(10)	(8)	(19)	(14)	11	13	6	3	0	0	3	2
Portugal	(5)	(6)	(5)	(5)	0	1	4	12	3	0	0	1
Ireland	13	30	46	34	34	37	29	24	9	12	7	2
Denmark	3	18										
28 16	23	21	17	9	3	0	0	0				
UK	10	10	13	9	15	14	31	18	32	18	17	13
France	15	6	8	18	25	18	37	18	9	12	18	10
Netherlands	3	4	5	0	0	0	0	3	0	0	1	2
Italy	3	2	1	3	0	0	0	0	0	0	1	0
Germany, FR	0	2	1	1	2	3	0	3	0	0	0	2
Luxembourg	0	4	0	0	0	0	0	0	0	0	0	1
Belgium	0	0	0	1	0	0	0	3	0	0	0	0

Source: Paul Luif, 'The Western European Union and the Neutrals: The Security Policy of Europe's Non-Aligned Countries in the Context of the EU's (eds), The Western European Union, 1948-1998: From the Brussels Treaty to
 i, vol. 51, nos. 1-2 (Brussels: Institut royal des relations internationales, 1998), pp. 77-98, at p. 86.

5 Inner and Outer Circles in Economic and Monetary Cooperation

Iain Begg and Dermot Hodson

In the last forty years, European integration has significantly changed the institutional and political context of policy-making, with the result that few areas of economic policy today are not touched by 'Europe'. Now that stage three of economic and monetary union (EMU) is operational, the means by which decisions are reached on monetary matters and related areas of economic policy in the EU merit scrutiny. Plainly, the institutional arrangements mean that the European Central Bank (ECB) is the dominant influence on interest rate decisions, while member states have the main say in fiscal and structural policies. However, it is less clear how the balance of power is determined in relation to the exchange rate or 'flanking' policies such as prudential supervision or regulation of financial markets. Moreover, it is by no means obvious that the existing division of labour between tiers of government is optimal.

This chapter explores the ramifications of increasingly closer union in Europe for economic policy-making, and attempts to ascertain whether the style and orientation of policy reflects particular coalitions of member states. It argues that, for better or worse, a new policy framework has been constructed and that the EU plays a central role in the formulation of policy. Within this framework, however, the member states continue to shape and implement most policies, although the EU appears to be increasingly active in coordinating across states. The assignment of monetary policy under stage three of EMU to the ECB, together with the establishment of broad economic guidelines and the various 'processes' that have been developed in the last three years have reinforced the supranational role. But it remains an open question whether the resulting policies serve the interests of some states more than others.

The next section of this chapter looks at how the EMU framework is developing. The nature of possible coalitions of countries in policy circles is then explored. This is followed by an appraisal of the conduct of monetary policy; then of other economic policy domains. Concluding remarks complete the chapter.

Policy-making under EMU

European integration has had, and continues to exert, a far-reaching impact on economic policy. On the supply-side, the spread of cross-border activity and corporate links is evident not only among large multinationals in the manufacturing sector, but also in services and in supply chains. Monetary union has moved from an ambition to a reality and is not just the technical reassignment of competence for monetary policy, but a more fundamental change that recasts the entire policy framework. The ramifications of this are only now being digested. Fiscal policy in the EU has to adapt to the demands of the Stability and Growth Pact, while redefining its accommodation with monetary policy.¹ Various supply-side measures have to be rethought to reflect changed expectations of how adjustment is to be achieved.² In addition, the EU does not stand still: developments in justice and home affairs can be expected to affect labour mobility, and it is likely that as economic integration intensifies, there will be pressures for a greater degree of integration of social policy.

At present, the policy framework in the EU is a curious hybrid, with the supranational level subservient to the member states in certain respects, while in others there is a more familiar, top-down hierarchy of the sort seen in most countries.³ Overt federalism (as in the US or Germany) is a distant prospect and there is a marked reluctance in many national capitals to see further powers transferred to the EU.⁴ Yet there are bound to be expectations under EMU that the EU will take at least some responsibility for an integrated macroeconomic policy as well as for dealing with asymmetric shocks. In short, the policy framework is one that lacks an overall coherence, yet political imperatives demand that subsidiarity be respected, especially in relation to social policy.

This structure is likely to come under strain as EMU is consolidated, and can be expected to prompt calls for a rethinking of the boundaries between national and EU policy-making, yet without further transfers of formal competence. To satisfy this latter condition, the compromise answer that seems to be emerging is a reinforcement of policy cooperation and the development of new approaches to coordination. Efforts to coordinate economic policy across the EU have, latterly, been enhanced under the various 'processes' named after the European Councils

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- 1) M.J. Artis and B. Winkler, 'The Stability Pact: Safeguarding the Credibility of the European Central Bank', Discussion Paper (London: Centre for Economic Policy Research (CEPR), 1997), p. 1688.
 - 2) For a summary of adjustment mechanisms, see Iain Begg and Dermot Hodson, 'Regional Adjustment Mechanisms under EMU' *Tijdschrift voor Economische en Sociale Geografie*, 2000, 91, pp. 78-84.
 - 3) According to McKay, Switzerland is the exception that may be most akin to the EU.
 - 4) A. Fatas, 'Does EMU Need a Fiscal Federation?', INSEAD Working Paper, 1997, 97/112/EPS.

at which they were agreed.⁵ The area of policy that is most developed in this regard is employment strategy. The first steps towards a concerted policy response were taken at the 1994 Essen Council, but it was only following the Amsterdam Treaty, agreed in 1997, that concrete steps were taken to establish what is now known as the European Employment Pact.

According to the conclusions of the Cologne Council held in June 1999, the 'Employment Pact embodies a comprehensive overall approach bringing together all the Union's employment policy measures'. Echoing the Maastricht Treaty, the Pact has three pillars that are supposed to be pursued together, implying policy integration. They are:

- 'Further development and better implementation of the coordinated employment strategy to improve the efficiency of the labour markets'. Now known as the *Luxembourg process*, the aim of this pillar is to enhance the effectiveness of the member states' labour market policies and encourage job creation.
- 'Comprehensive structural reform and modernization to improve the innovative capacity and efficiency of the labour market and the markets in goods, services and capital'. The *Cardiff process* is geared to improving the supply-side of the EU economy by, first, liberalization of markets and allowing greater sway to competitive forces. In addition, it focuses attention on the apparently inferior performance of the EU in innovation and technological advances. A special Council in Lisbon in March 2000 reinforced the member states' commitment to structural reforms.
- 'Coordination of economic policy and improvement of mutually supportive interaction between wage developments and monetary, budget and fiscal policy through macroeconomic dialogue'. This component of the Pact, to be known as the *Cologne process*, has the objective of keeping the EU on a sustainable path of non-inflationary growth and thus assuring a stable macroeconomic context.

The Employment Pact forms part of the 'broad economic policy guidelines as pursued by the member states and the Community', and is meant to facilitate cooperation between member states in economic governance. The Commission, in particular, is given the task of identifying best-practice and preparing guidelines. Further evidence of a more 'joined-up' approach to economic policy can be seen in proposals to gear the lending of the European Investment Bank (EIB) and the operation of the EU Structural Funds more towards employment creation, and to review tax policy so that it is more employment friendly. In particular, the scope for extensive employment creation in the service sector is highlighted.

Similarly, many of the areas in which single market legislation underpins the regulatory framework can be characterized as a recasting of regulation. Often this is accompanied by the emergence of a new regulatory style that may be rooted in

5) For an overview, see D. Hodson and I. Maher, 'Should we Mind the Gap? EMU and Consolidating Processes in Lisbon', forthcoming in *European Business Journal*, 2000.

one or other country's tradition, but ultimately takes a form that is unique to the EU.⁶ What the single market has done is to strike a balance between liberalization and the elaboration of rules that prevent a 'race-to-the-bottom' in regulation. New initiatives in regulation have to anticipate and accommodate the balancing of interests across the EU, rather than respond purely to national imperatives. In some of the areas currently subject to review in the single market agenda, such as regulation of utilities or of financial services, the process of mediation between a market-orientated UK approach and the social aims of certain continental countries is fascinating to watch.

The development of a new EU policy framework has been motivated by shifting political priorities, formal legal agreements (notably the Treaty) and a perception of the need for policy integration.⁷ In recent years the macroeconomic priorities of the EU have shifted, notably to give greater weight to employment as the fear of inflation has receded, prompting a far-reaching reappraisal of economic governance under EMU. The various steps towards a coherent strategy in the last few years suggest that a comprehensive response is now being put together and should augur well for employment creation.

The outcome of the Cologne European Council and the elaboration of the Employment Pact are developments that break new grounds in policy-making. On the one hand, the outcome recognizes that action to increase employment cannot be confined to the labour market, but must be complemented by appropriate macroeconomic policy and structural reforms. Procedures are in place and seem to have engaged the support of the member states. There also appears to be a willingness on all sides to approach the Pact positively and to make the various processes effective, although several member states have resisted attempts to devise explicit targets.

That said, the profusion of actors involved in economic governance is, arguably, still an obstacle to policy integration and there are confused policy assignments between tiers of government. Moreover, the objectives of the different agencies are not *necessarily* consistent with specific aims such as employment creation. In particular, the ECB mandate to assure price stability must be met before the focus of monetary policy can be the general economic policies of the Union. The distinction may prove to be less onerous in practice than in the formal language of the Treaty, but it nevertheless means that an integrated approach to employment is likely to remain more difficult to secure than in the US where the Fed has the well-known 'dual mandate'.

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- 6) See the special issue of the *Journal of European Public Policy*, vol. 3 (1996), on regulation in Europe.
 - 7) C. Crouch (ed.), *After the Euro: Shaping Institutions for Governance in the Wake of European Monetary Union* (Oxford: Oxford University Press, 2000).

Soft Policy

Since the 1997 Amsterdam European Council, a new style of EU economic policy-making has gradually come to the fore. It is one that, arguably, reflects the preferences of the larger member states that are most reluctant to cede powers to 'Brussels' rather than the more *communautaire* attitude of smaller countries. The policy style has a number of characteristics:

First, while it gives the Commission an important role in orchestrating policy, implementation is strictly reserved for the member states. In this way common objectives, such as boosting employment, are agreed, yet subsidiarity in policy-making is respected.

Second, there is increased use of sharing of experience, benchmarking and related techniques aimed at securing better policy by comparing approaches in different jurisdictions. This is at its most developed in the Luxembourg Process, with the reporting of examples of good or innovative practice in the National Action Plans and with the scrutiny of each country's approach.

Third, the new approach is one that achieves coordination of the policies that complement monetary union, without the need for constitutional amendment.

This amounts to 'soft' pooling of policy, with differing degrees of formal assignment of competence to the EU level. Fiscal policy has the underpinning of the Stability and Growth Pact and the corresponding Treaty articles on excessive deficits. Employment policy coordination is based on the Employment Title added to the Treaty at Amsterdam, but with much less specific guidance in the form of either prescriptive Treaty articles or Directives. Coordination of social policy is softer still, yet is manifestly an area in which there will be a long-term need for concertation of policy from a macroeconomic perspective under EMU.

In principle, the Lisbon European Council held in March 2000 extends the scope of coordination. Here, the impetus appeared to come from those member states that regard supply-side reform along free-market lines as vital. The UK, Germany and Spain were portrayed as the main protagonists of this approach, while France was cast as the most reluctant state. What does the development of the 'soft-policy' approach to coordination tell us about circles of influence in policy-making? In practice, there are neither coherent nor wholly consistent coalitions. It can be argued that labels such as neo-liberal, corporatist or Anglo-Saxon are especially unhelpful, despite the longstanding British commitment to market-orientated policies.

Coalitions of Member States?

What can be said about the member state coalitions in different policy domains? A first observation is that perspectives not only shift as governments evolve, but also that the thinking behind policy itself evolves. The eclipse of the Keynesian demand management approach is perhaps the starkest development in recent decades, but there have been other, lesser shifts that have also changed the policy landscape. Thus, the priority assigned in macroeconomic policy to stability objectives was a feature of the late 1980s and the first half of the 1990s. Since the mid-1990s, there has been an increasing determination to stimulate employment, although with the emphasis increasingly on new labour-market strategies than the use of subsidies or increases in public expenditure as in the past. 'Big' technology projects co-funded by the state are much less in fashion.

At the same time there are evident national preferences in policies that surface at EU level. The German/Dutch precautionary principle has, largely, prevailed in environmental policy. Even if purists detect differences, it is plain that the ECB is modelled on the Bundesbank and thus reflects German aims in monetary policy. The single market is a rare example of a step towards European integration that was enthusiastically espoused by the UK, an explanation for which is that its confluence with UK policy priorities is plain.

A third general point is that convergence in policy objectives can arise from a recognition by interest groups that they have common aims. There is almost certainly more common ground between central bankers from very disparate countries than between central bankers and other constituencies in a single country. Manufacturers will tend to prefer monetary policies that keep interest rates and exchange rates low, whereas financial intermediaries often have more to gain when interest margins can widen.

Policy Preferences

In the run up to the third stage of EMU, the preferences of national central bankers received considerable attention. Commentators focused on two preferences in particular: the first concerned national preference; and the second monetary preferences.⁸ As regards the first, the credibility of a supranational monetary authority would, it was felt, be threatened if each central banker represented his or her own national interest. Such bargaining may lend itself to the Council of Ministers but it is unsuited to the exercise of a stability-oriented monetary policy. With this point in mind, the Treaty on European Union (TEU) ensures that national preference play no role in either the European System of Central Banks (ESCB) or the ECB. Article 109 makes it clear that neither

8) For an overview, see M. Buti and A. Sapir (eds), 'Economic Policy in EMU: A Study', European Commission Services (New York and Oxford: Clarendon Press and Oxford University Press, 1998).

members of the ECB nor members of the national central banks shall take instruction from member states' governments. In addition, measures are set in place to ensure that member states cannot dismiss national central bankers for reasons other than serious misconduct or failure to fulfil the conditions required for the performance of assigned duties (Article 14.2, Protocol 18). The second type of preference concerns the attitude of national central bankers towards price stability. The central concern here is that central bankers from member states that do not have a reputation for low inflation will reduce the credibility of the ECB's price stability objective. To safeguard against such an outcome, the TEU places the maintenance of price stability above all other objectives (Article 105). The ESCB may only support 'the general economic policies of the Community' if it is without prejudice to the primary objective.

As can be seen from this brief description, the institutional framework of EMU is designed to 'create' a national central banker in a very specific image. In the first place he or she will formulate monetary decisions for the euro-zone as a whole without reference to his or her own national preferences. Moreover, the banker's preference for price stability is placed above all other policy preferences. It must not be compromised under any circumstances. Institutional design is one thing, however, and policy conduct is another. While it is much too soon to pass any meaningful judgements on the ECB's performance, early reports indicate that the preferences of central bankers do not conform to expectations in all respects.

Monetary Policy

Monetary policy, plainly, is not like other areas of EU decision-making where political sensitivities, balances of interests and subsidiarity are relevant considerations. In principle, what the authorities have to do is to make a decision on the stance of policy that is most consistent with the mandate conferred on the ECB by the Treaty. National priorities, by definition, are not supposed to matter and the deceptively simple task that is assigned to the ECB is to take policy decisions that assure price stability for the monetary union as a whole. To put it another way, the decisions are *supranational* ones.

Given this context, is there likely to be a division between large and small countries or between coalitions of member states in relation to monetary policy that could result in policy conflict? There are diverse bases for appraising possible coalitions. These include:

- The institutional make-up of euro-land, especially as regards the monetary authority and the roles of national representatives.
- The choice of policy approach, *within* the framework.
- The preferences of decision-makers.
- The needs of countries in relation to the key macroeconomic variables and how they are interpreted and weighted in the policy system.
- The positions of the 'ins' and the 'outs'.

Institutional Framework

At the institutional level, it is generally accepted that the ESCB is largely based on the Bundesbank system. The monetary authority is independent, it has safeguards against political interference and its mandate is to assure price stability. It may be argued that the ECB's independence is stronger than that of the Bundesbank and that the latter was more likely to adapt its policies to take account of macroeconomic objectives other than price stability. But compared to the systems that existed in other member states (or even the Fed), the Bundesbank is undoubtedly the ECB's closest relative.

At one level, there is little to say about circles of cooperation. The ECB sets one interest rate that applies to all eleven participants in stage three of EMU. The two members of ERM-II are subject to the (not especially onerous) disciplines of keeping their currencies aligned to the central rate, while the other two 'outs' are running nationally orientated monetary policies. These cannot be described as 'circles' as they reflect no more than the common (or separate) institutional arrangements of the group to which they belong.

The Approach to Policy-making

The ECB's two-pronged approach is clearly set out in its *Bulletin* and in numerous policy statements.⁹ The first component of the strategy is a focus on monetary growth, using M3 as the variable monitored. This is very much in the mould of the Bundesbank and certain other northern member states. The second strand of the ECB's strategy is to monitor a wide range of economic and financial indicators adjudged to bear on price stability. What may be significant about this second component is that it gives the ECB rather more discretion in policy than is immediately obvious in what appears to be a rule-based system.

The target adopted (unilaterally) by the ECB is to keep price rises below an annual rate of 2 per cent, but to make allowances for exceptional circumstances such as a large jump in oil prices. Willem Buiter¹⁰ has taken issue with the lack of symmetry in the target, implying that it imparts a deflationary bias to policy. Issing argues that because the guideline refers to holding down price rises, this approach is tantamount to a target of between 0 and 2 per cent, and implicitly rules out price deflation.

Mayes and Viren¹¹ estimate a series of short-run Phillips curves for EU member states. They find that with the exception of Spain, the inflationary impact

9) O. Issing, 'The Eurosystem: Transparent and Accountable or "Willem in Euroland"', *Journal of Common Market Studies*, 1999, 37, pp. 503-519.

10) W. Buiter, 'Alice in Euroland', *Journal of Common Market Studies*, 1999, 37, pp. 181-209.

11) D. Mayes and M. Viren, 'Asymmetry and the Problem of Aggregation in the Euro Area', mimeo, Bank of Finland, 2000.

of tighter labour markets in European countries is greater than the disinflationary impact of unemployment. When the euro-zone simultaneously faces (comparable) regional pockets of excess demand on one hand and unemployment on the other, the latter is unlikely to balance out the former. To fulfil its mandate, in this situation the ECB would be compelled to pursue a monetary policy that is overly tight not only from the perspective of the recession-hit regions but also for the euro-zone as a whole.

Favero *et al.*¹² provide a comprehensive overview of monetary policy performance in the first year of the euro. In an attempt to evaluate this performance, the authors speculate about how the Bundesbank (a benchmark in their eyes for successful central banking) would have behaved had it been in the position of the ECB. The analysis here is based on the historical behaviour of both banks towards the output gap and the inflation gap. The results indicate a marked divergence in the behaviour of the ECB from that of the Bundesbank. In particular, little evidence can be found that the Bundesbank would have responded to the prevailing euro-zone output and inflation gaps in April 1999 with the 50 basis points cut in the interest rate that the ECB made.

At first glance this finding would seem to suggest that the ECB assigns less weight to price stability and more to output stability than had been expected, thus giving credence to fears that certain central bankers would indeed 'water down' the ECB's preferences. Further analysis, however, suggests that this inference might be hastily drawn. Favero *et al.*¹³ rerun their comparisons between the ECB and the Bundesbank using only data for Italy and Germany. The former is assigned a weight of 0.35 and the latter takes one of 0.65. This time the behaviour of the two banks is considerably more convergent, even when it comes to the April 1989 interest rate cut. This result is interesting indeed since it implies not that the ECB has compromised its monetary preferences but rather that national policy preferences have come to the fore. It follows that the observed asymmetry in monetary policy can be accounted for not only by the relative magnitude of euro-zone economies but also by the fact that monetary authorities are assigning disproportionate weight to the economic performance of certain economies. As the authors put it '[i]n this interpretation, the ECB claims to look only at averages, but it acts differently; deeds do not quite match words'.¹⁴

The preceding analysis seems to imply that any deviation on the part of monetary policy from euro-zone averages is a matter of policy preference. It must be stressed, however, that this is not the case. Paradoxical though it may initially sound, prevailing economic conditions may compel a monetary authority that has the good of the euro-zone at heart to assign more weight to the economic priorities of some member states at the expense of others. This anomaly arises when inflationary behaviour is non-linear across the euro-zone and implies, in effect, that

12) C. Favero, X. Freixas, T. Persson and C. Wyplosz, 'One Money, Many Countries: Monitoring the European Central Bank 2' (London: CEPR, 2000).

13) C. Favero *et al.*, 'One Money, Many Countries'.

14) C. Favero *et al.*, 'One Money, Many Countries', p. 21.

even monetary policy decisions that are weighed exactly according to the relative size of member states' economies can produce asymmetric effects.

In the first year of the euro, there was a clear distinction between the growth performance of certain member states. Since growth was concentrated in smaller states such as Ireland, however, this was unlikely to manifest itself at a European level. So far the growth performance of larger states has been generally convergent. If in the future the French economy, for example, begins to expand more rapidly than the German economy, then monetary policy will be faced with tough choices. In such circumstances, the maintenance of price stability in the euro-zone could entail an increasingly asymmetric monetary policy, which would calm French inflationary pressures at the cost of inducing stagnation in Germany. Such asymmetry would arise not because of the relative magnitude of member states, nor because of policy preferences, but simply as a consequence of policy implementation.

Buiter¹⁵ and Issing¹⁶ have also engaged in a debate on the meaning and application of transparency and accountability. Buiter argues for greater openness in explaining how decisions were reached and for individual accountability of decision-makers, whereas Issing believes that the procedures that the ECB has developed are sufficiently open (transparency) while accountability is ultimately to be judged by how well the ECB performs.

Conduct of Policy and Member State Needs

A different perspective on the conduct of monetary policy can be obtained by considering how suitable the interest rates have been for economic conditions in different member states. Since the parities of the eleven members of the Euro-zone were agreed in May 1998, there have been two reductions in interest rates (one prior to the beginning of 1999 that is generally seen as an ECB decision) followed by a succession of rate increases. Most of the fortnightly meetings of the ECB Governing Council have opted for no change. Two of the early changes were half-point movements, arguably wrong-footing the market. Can a rationale based on clusters of countries explain these changes?

- It should be noted, first, that there is no reason to expect a systematic pattern. Price stability is meant to be a shared objective – indeed for some of the more inflation-prone countries, one of the compelling arguments for joining EMU was to gain credibility from membership of the currency union.
- Events could, however, result in a de facto clustering of countries, for example if they are affected similarly by shocks or if their economies converge on particular indicators.

15) Buiter, 'Alice in Euroland'.

16) See note 9.

- Clusters will, inevitably, fluctuate through time as economic, monetary and political conditions evolve.

The European Commission's spring 2000 forecasts show that there continues to be considerable diversity across the euro-zone in macroeconomic performance. Table 1 shows the 'output gap' of each member state in recent years. This indicator compares actual and potential GDP and thus shows whether the economy is in danger of overheating or in need of stimulation. From this table it can be seen that the range of macroeconomic conditions is substantial. At one extreme, Ireland, Austria and the Netherlands appear to be approaching a state of near – if not excess – capacity. On the other hand, Italy, France and Germany continue to be well short of their potential output, indicating that their economies still have slack. *Ceteris paribus*, this first group of member states would favour higher interest rates in order to calm inflationary pressures, while the remainder would favour lower interest rates to stimulate demand. The fact that there is an output gap for the euro-11 as a whole suggests that the latter group of countries will benefit from monetary policy decisions at the expense of the former.

In terms of degree of slack in the economies, it can thus be argued that there are three groups. Ireland, Luxembourg, the Netherlands and Portugal are at or close to full employment and exhibiting signs of overheating. The German and Italian economies, by contrast, remain sluggish and are only now showing signs of a recovery in growth. The other five countries, to differing degrees, are neither too hot nor too cold. Differing inflation risks can also be identified. Labour shortages and property price rises have surfaced in Ireland, and Spain is also experiencing some inflationary pressure. Figure 1 shows a scatterplot of inflation against growth, which suggests some clusters.

A comparison of actual and potential GDP is just one means of appraising the differing macroeconomic positions of the member states. For comparison, Table 1 also shows the unemployment rate, which gives clues about pressures in the labour market.¹⁷ It is clear once again that the range of macroeconomic conditions is substantial. Excess capacity in the labour market, as measured by unemployment, is highest in France, Italy, Spain and, to a lesser extent, Germany. This stands in stark contrast to the low unemployment rates of the Netherlands, Austria, Portugal and Ireland. Although the picture is similar to that painted by output-gap measures, an important qualification is that there are both cyclical and structural components to the unemployment rate. A high rate (as in Spain) may be the result of mismatch or other structural phenomena and still be consistent with potential overheating of the economy.

Overall, the forecasts suggest that the stance of monetary policy will shift towards tightening, as a result of which it can be argued that it will shift away margin-

17) In principle, unemployment rates are harmonized, but differences in institutional arrangements between countries mean that a given rate has different implications. Disparities in rates also reflect structural factors, with the result that a rate consistent with price stability may vary significantly.

ally from the Franco-German axis towards other countries. But the point should be made that the deviation will be minimal.

If there was any doubt beforehand, the initial experience of EMU has confirmed that a single monetary policy will, at any given time, suit some member states more than it does others. On the surface, such asymmetry simply reflects the relative magnitudes of member states' economies. It is clear, for example, that the German economy will carry more weight than the Irish when it comes to formulating monetary policies, since the former is roughly thirty-five times the size of the latter. Indeed, as Figure 2 shows, the combination of France and Germany dominates euro-land GDP. Relative magnitudes, however, cannot entirely explain the asymmetries witnessed in the first year of the euro.

With the ECB having opted not to publish voting records, it is impossible to ascertain directly whether the monetary decisions reflect particular national interests more than others, nor can a large/small country dichotomy be readily monitored. Some clues can be found in the decisions on interest rates. Thus, by keeping rates low since the beginning of the year, it can be argued that the bias in monetary policy has favoured those member states at low points in the economic cycle, such as Germany and Italy, over those that have been expanding rapidly, notably Ireland and Spain.

The 'Outs'

It is interesting to note from Table 1 that with the exception of Denmark, three of the non-participating member states are experiencing roughly similar cyclical positions. In fact, according to this measure, Sweden, Greece and the UK are experiencing the largest positive output gaps in the EU. In the event of these countries participating in stage three of EMU, therefore, we could expect a significant reweighting of monetary policy decisions in the euro-zone, as can be seen in Figure 3 in which the GDP weights are again shown. Were the 'outs' to join tomorrow, the overall euro-zone output gap would shrink from -1.2 per cent to -0.4 per cent of potential GDP. This would in turn give rise to a tighter monetary stance, which would better suit not only the new incoming members of EMU, but also the likes of Portugal, the Netherlands and Ireland.

Nevertheless, it is once again the non-participating member states – with Greece rather than Denmark the exception this time – that have unemployment rates significantly below the euro-11. Their participation would lower the overall euro-zone unemployment rate from 9.2 per cent to 8.5 per cent, thus acting as a counterweight to the economic performances of Germany, Italy and France.

In monetary policy, there is little to unite the four countries that did not accede to stage three of EMU at the outset. One, Greece, was anxious to join 'Euroland' at the earliest opportunity and will become a full member at the beginning of 2001. There was a national consensus that early accession was desirable and major efforts were made by policymakers to ensure that the necessary steps were taken to meet the convergence criteria. Two others, Sweden and

Denmark, seemed to be moving towards full participation. In Denmark, there was a consensus amongst elites to pursue membership. However, the famously contrary Danish people upset the apple-cart by voting 'nej' in the referendum held on the 28th of September 2000, effectively precluding Danish (and, probably, Swedish) membership of EMU for the foreseeable future. All three, as small open economies, have little autonomy in monetary policy and, apart from an exchange rate risk, appear to have followed the lead from Frankfurt, with Denmark and Greece remaining in the ERM II. Only the UK continues to pursue an obviously distinctive monetary policy. Figure 4, which plots monthly interest rates, shows how they evolved in the two years from the de facto start of stage three in May 1998.

Exchange Rate and Flanking Policies

Plainly, the core of monetary policy is the setting of the interest rate and the targeting of inflation, but monetary authorities also have to take a view on the external value of the euro and, more generally, on the development of financial markets.

The sustained fall in the euro from January 1999 was initially seen as benign in so far as it helped the international competitiveness of the euro area while posing little risk of imported inflation, but had become a cause for concern by the spring of 2000. So far it is very hard to discern any clear-cut preferences on the external value of the euro and the authorities have been accused of sending confusing signals that have contributed to the weakness of the currency. The demarcations in policy preferences here are probably not so much between large and small countries or between coalitions of countries, as between interest groups. Central bankers, on the whole, would probably prefer a strong currency; manufacturers may be secretly content with the falling euro. A possible exception here is the UK, which found itself caught between a rising dollar and a falling euro, and has seen a significant erosion of its competitiveness as a result.

In financial markets and financial services, the single market has been slow to take hold, partly because of continuing national regulation. This is likely to change with the single currency and there are already signs of an increase in cross-border consolidation of these industries. As a result, the question of pan-European supervision and regulation of financial intermediaries can be expected to arise.¹⁸ The drift in regulation of financial markets is arguably away from the German/French styles towards one that can be characterized as closer to the Dutch/UK style. It may be, therefore, that we will see the emergence of new battle

18) Iain Begg and David Green, 'Banking Supervision in Europe and Economic and Monetary Union', *Journal of European Public Policy*, 1996, 3, pp. 381-401; J. Dermine, 'Bank Mergers in Europe: The Public Policy Issues', *Journal of Common Market Studies*, 2000, 38.

lines around these two 'circles' as the next stages of recasting supervisory and regulatory rules are developed.

Other Economic Policy Areas

The focus of attention tends to be on the conduct of macroeconomic policy, but other economic policy areas are also evolving as policy-making becomes increasingly 'Europeanized'. In part, this is because EMU alters the respective roles of different elements of policy. But it also reflects the evolution of thinking and influence on priorities. Here, as in monetary matters, there are styles and coalitions.

Structural Policies

Structural reforms are seen by many as the key to improved economic performance in euro-land.¹⁹ Although the output gap analysis implies that some member states are closer to their structural capacities than others, all are in need of structural reform to improve their respective economic performances. Once again, there are big disparities between member states, although some of the portrayals of national circumstances are apt to be exaggerated. The watchwords here include flexibility, liberalization, corporate governance and welfare reform. Some commentators argue that Germany and Italy have been the laggards in structural reform, whereas the Netherlands and the UK, having respectively suffered the Dutch disease and being the sick man of Europe in the 1970s, have been most adept at reform. Some of the smaller economies – notably Denmark, Ireland and Finland – have made great strides during the 1990s, whereas Greece and Belgium have arguably been slower to act. These matters are very hard to calibrate, although a crude attempt is made in Table 2 on the basis of the *Annual Report on Structural Reforms*.²⁰

The report identifies room for improvement in each member state, but the Netherlands and the UK are singled out for praise along with Denmark and Finland. In particular, the British government is praised for progress made in the field of tax reform by reducing corporation tax for small and medium-sized enterprises (SMEs) and by introducing a Working Families Tax Credit, designed to reduce the number of households that face high marginal effective tax rates. Similarly, the Dutch government is commended both for its extension of competition policies to network industries and for its liberalization of public transport. At the other end of the scale, both Italy and France are taken to task for their respec-

19) L. Calmfors, 'Unemployment, Labour Market Reform and Monetary Union', IIES Seminar Paper, no. 639, 1998, Stockholm University.

20) Economic Policy Committee, *Annual Report on Structural Reforms 2000: Report Addressed to the Council and the Commission*, Brussels.

tive lack of progress with structural reform. Both member states receive criticism for their non-transposition rate for single market legislation, while the failure of the former to reform employment protection legislation is given due note.

Social Policy

Perhaps the greatest test of the soft approach will come in social policy. Although the threats to the European social model are frequently over-stated,²¹ there is a manifest need for reform of the welfare state. Because of the sensitivity of national accommodations in social policy, harmonization is clearly not an option, but it is an area of policy in which there are evident differences in philosophies and structures. Esping-Andersen²² identified three distinct models: that of the Nordic countries; the corporatist (comprising the continental European countries rooted in the Bismarckian model of social insurance); and the Anglo-Saxon. Rhodes²³ (1996) adds a fourth: the southern European model.

While these models are inevitably somewhat stylized and clusters of countries exhibit significant differences (the so-called Polder model in the Netherlands being a striking example), there are traits that characterize the different approaches. These include the involvement of the social partners, whether benefits are universal or selective, the degree to which active labour market policies are adopted and the means of financing social policy. The different models also have varying 'performances' in terms of key output indicators such as employment generation or alleviation of poverty.

As EMU is consolidated, it is likely that a need will, for a variety of reasons, arise for at least some integration of social policy. Widely divergent arrangements are not consistent with the single market, especially if they systematically affect operating costs. Social expenditure, averaging 28 per cent of GDP in the EU, plays a significant role in assuring macroeconomic stabilization, yet cannot convincingly do so while national systems are the core.

Conclusions

Monetary policy must inevitably pay greater heed to the larger countries because of their weight in the euro-land economy. In this context, member statehood is, if not entirely irrelevant, secondary to the basic decision. In other words, a coalition of smaller member states, which between them account for 10 per cent or less of EU GDP, is unlikely to sway monetary policy decisions if their needs contrast with

21) M. Ferrara, A. Hemerijck and M. Rhodes, *The Future of Social Europe: Recasting Work and Welfare in the New Economy* (Lisbon, 2000).

22) G. Esping-Andersen, *The Three Worlds of Welfare Capitalism* (Cambridge: Polity, 1990).

23) M. Rhodes, 'Globalization and West European Welfare States: A Critical Review of Recent Debates', *Journal of European Social Policy*, 1996, 6 (4), pp. 305-327.

the economic imperatives of some or all of the larger member states. It should be emphasized that this is not a political or institutional issue, simply a recognition that the ECB's mandate requires it to 'average' out.

A corollary of this conclusion is that as EMU evolves and brings in additional members, the weighting of individual countries in the monetary decisions will change, as will the appropriateness of the 'one size fits all' policy. Thus, if the UK were part of the euro-zone today, the balance would shift towards a need for higher interest rates, pushing policy in a direction that is better suited to the needs of the Dutch and Irish economies, but away from what suits Germany. This point has not been lost on the Irish authorities,²⁴ which would prefer to see a higher rate at present. An intriguing question is whether the current divergences in macroeconomic indicators will persist, or whether there will be pressures towards convergence. If convergence is the outcome, a related question is whether it is to the model of some groups of countries rather than others.²⁵

A second conclusion, based on the admittedly limited evidence of current forecasts, is that such coalitions as there are in monetary policy result largely from the degree of economic interdependence on the demand side of economies. Thus Austria, because its links with Italy and Germany are so extensive, shows similar macroeconomic trends. There is, however, a caveat to be entered here. The pace and timing of supply-side structures and changes are bound to make a difference. The Netherlands, Belgium and Luxembourg are all, arguably, closely linked to the German economy, yet their recent macroeconomic performances have been divergent. In Luxembourg's case, a plausible explanation is that booming service industries – notably financial services – have offset any dampening effect from German demand. For the Netherlands, early labour market reforms have rendered the economy more flexible, the contrast with Belgium being obvious.

A third conclusion is that as the euro area becomes more integrated, the interests of different countries in tighter or looser monetary policy will fluctuate. If EMU fulfils the expectation that it will change economic agents' behaviour, the response of different economies to the monetary stance will adapt. For instance, Spain or Italy could find that a much lower rate of interest than previously assures price stability because the labour market learns that inflationary pay-deals will be counter-productive. In much the same way, developments on the supply-side of the economy may significantly affect the potential of an economy in relation to any given interest rate.

The outcome of such developments would be a new mix of susceptibilities to inflation and sustainable growth rates.

24) Recent interviews.

25) In this regard, it is important to note that the revisions to estimates and forecasts of macroeconomic performance can often be substantial. Thus between European Commission forecasts of autumn 1999 and spring 2000, the EU-11 growth rate for 2000 was revised from 2.9 per cent up to 3.4 per cent.

France, through adhering to the disciplines of the ERM and the *franc fort* policy, transformed itself from an inflation-prone country into one of the low-inflation 'benchmark' countries of the EU. Others could follow, but it is also possible that those that delay or fudge structural reforms will find themselves facing a worse inflation/unemployment trade-off.

Table 1 *Unemployment Rate and Output Gap*

	1991-95		1996-01		1997		1998		1999*		2000**	
	Output Gap	U(%)	Output Gap	U(%)	Output Gap	U(%)	Output Gap	U(%)	Output Gap	U(%)	Output Gap	U(%)
B	-1.5	8.5	-0.9	9.0	-0.1	9.4	-0.4	9.5	-1.1	8.6	-0.2	8.5
DK	-1.3	8.6	-1.7	5.1	-0.6	5.6	-1.6	5.1	-2.9	4.3	-2.2	4.2
D	-1.2	7.3	-1.3	9.0	-1.9	9.9	-1.1	9.4	-1.8	9.0	-0.3	8.6
EL	-2.6	8.3	0.5	10.0	-0.1	9.8	1.4	10.7	1.0	9.4	0.9	10.0
E	-3.9	20.9	-1.9	17.2	-2.2	20.8	-2.1	18.7	-1.8	15.7	-1.6	13.8
F	-1.9	11.1	-2.3	11.1	-4.0	12.3	-2.7	11.7	-2.0	11.1	-0.7	10.0
IRL	-2.3	14.5	-1.1	7.7	-2.2	9.8	-1.2	7.7	-0.1	6.4	0	5.7
I	-2.6	10.1	-2.6	11.3	-3.3	11.7	-3.1	11.9	-2.6	11.7	-1.8	10.9
L	-3.9	2.5	-2.9	2.7	-3.3	2.8	-3.4	2.8	-2.8	2.5	-1.9	2.6
NL	-2.3	6.4	-1.2	3.8	-2.1	5.2	-2.0	4.0	-1.0	3.0	-0.1	2.4
A	-0.3	3.7	-0.4	4.2	-1.0	4.4	-0.3	4.7	-0.4	4.2	0.2	4.0
P	-0.5	5.6	-0.7	5.4	-0.7	6.8	-0.4	5.1	-0.6	4.6	-0.4	4.5
FIN	-7.7	13.3	-1.9	11.0	-2.7	12.7	-2.6	11.4	-1.3	10.4	-1.0	8.9
S	-1.7	7.2	-0.6	7.9	-1.2	9.9	-0.7	8.3	-0.1	7.3	0.2	6.3
UK	0.9	9.5	0.36	6.5	0.1	7.0	0.7	6.3	0	6.0	0.3	5.8
EU-15	-1.6	10.0	-1.2	9.5	-1.8	10.6	-1.3	9.9	-1.2	9.2	-0.4	8.5
EUR-11	-2.0	10.2	-1.9	10.3	-2.7	11.5	-2.1	10.8	-2.0	10.0	-1.2	9.2

Source: European Commission (2000) Spring Forecast.

Notes: Output Gap relative to potential GDP (deviation of actual output from potential output as percentage of trend GDP), Number of Unemployed (as percentage of the civilian labour force).

* estimate ** forecast

Table 2 *Structural Reform in the European Union: A Report Card*

Member States	EPC Assessment	Policy Areas							
		Incentives for R&D	Tax Reform	ALMP*	Competition Policy	Public Utilities	EPL**	Pension Reform	N-T Rate ***
Austria	'Progress'	+	+	+	–				
Belgium	'Some Progress'			+		–	–		–
Denmark	'Good Progress'		+	+	–	–			
Finland	'Good Progress'		+		–			–	
France	'Some Progress'		+				+		–
Germany	'Progress'				–	– / +			
Greece	'Progress'			–		– / +			–
Ireland	'Progress'	+			–	+			
Italy	'Some Progress'					+	–		–
Luxembourg	'Progress'			+		–			
Netherlands	'Very Good Progress'			–	+	+			
Portugal	'Some Progress'			–	–	+			
Spain	'Progress'				+				+
Sweden	'Progress'			+	– / +				
UK	'Good Progress'		+						–

Source: Based on Economic Policy Committee's *Annual Report on Structural Reform 2000*.

* Active Labour Market Policy + = Positive

** Employment Protection Legislation – = Negative

*** Non-Transposition Rate for Internal Market Directives

Figure 1 *Growth and Inflation in the EU*

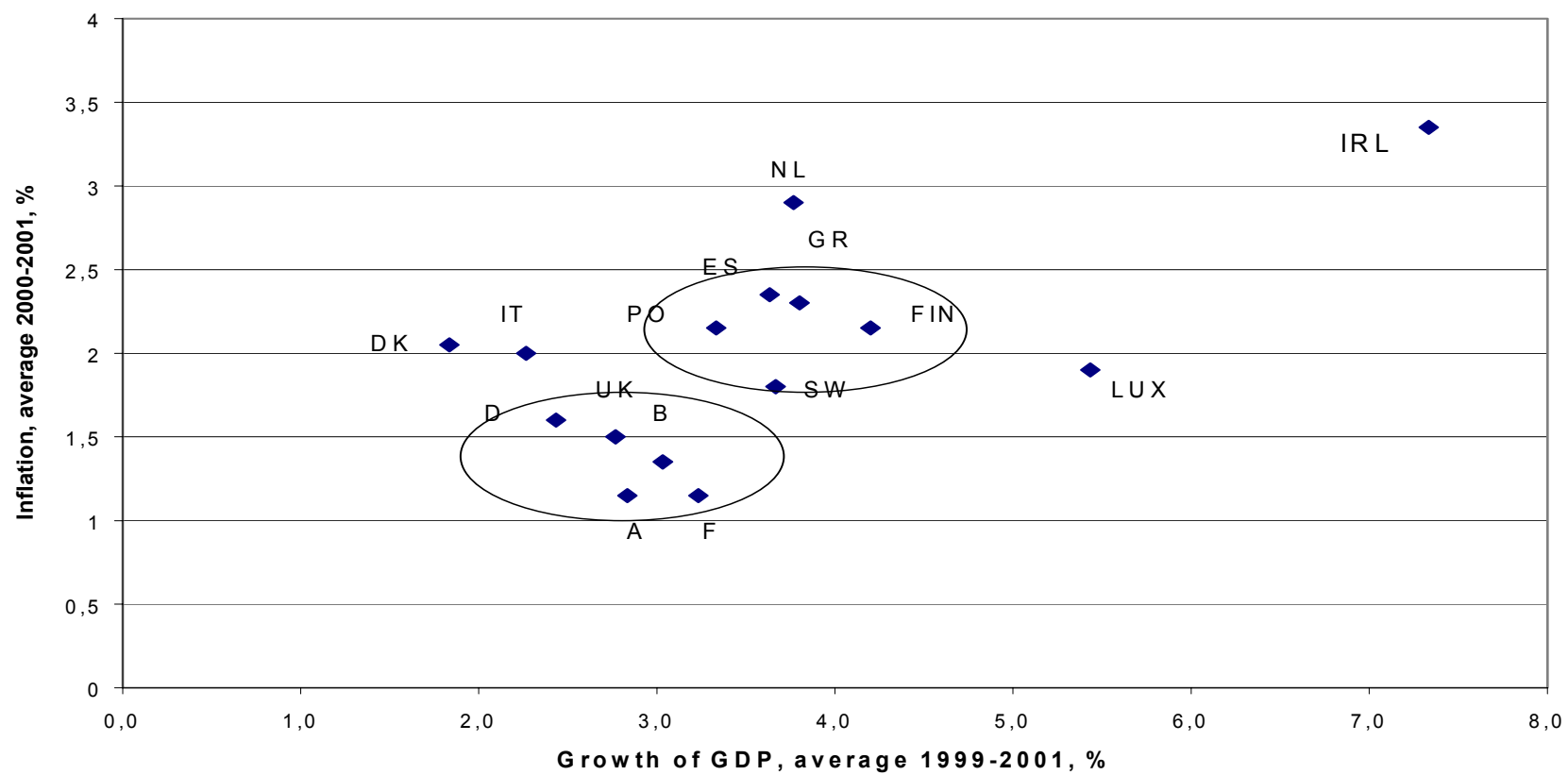


Figure 2 *GDP Weights of Euro-land Members*

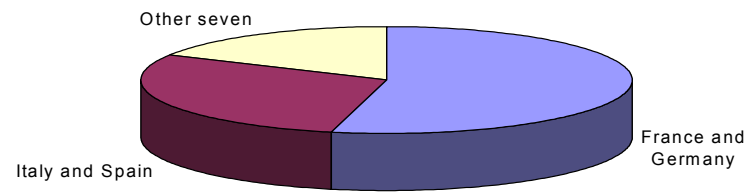


Figure 3 *GDP Weights of all 15 EU Members*

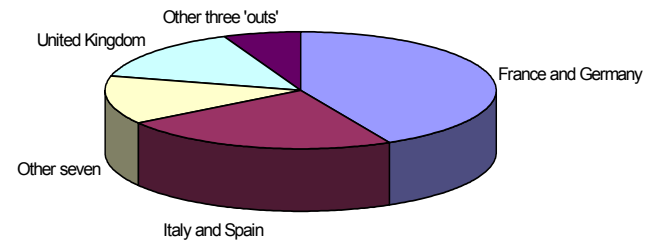
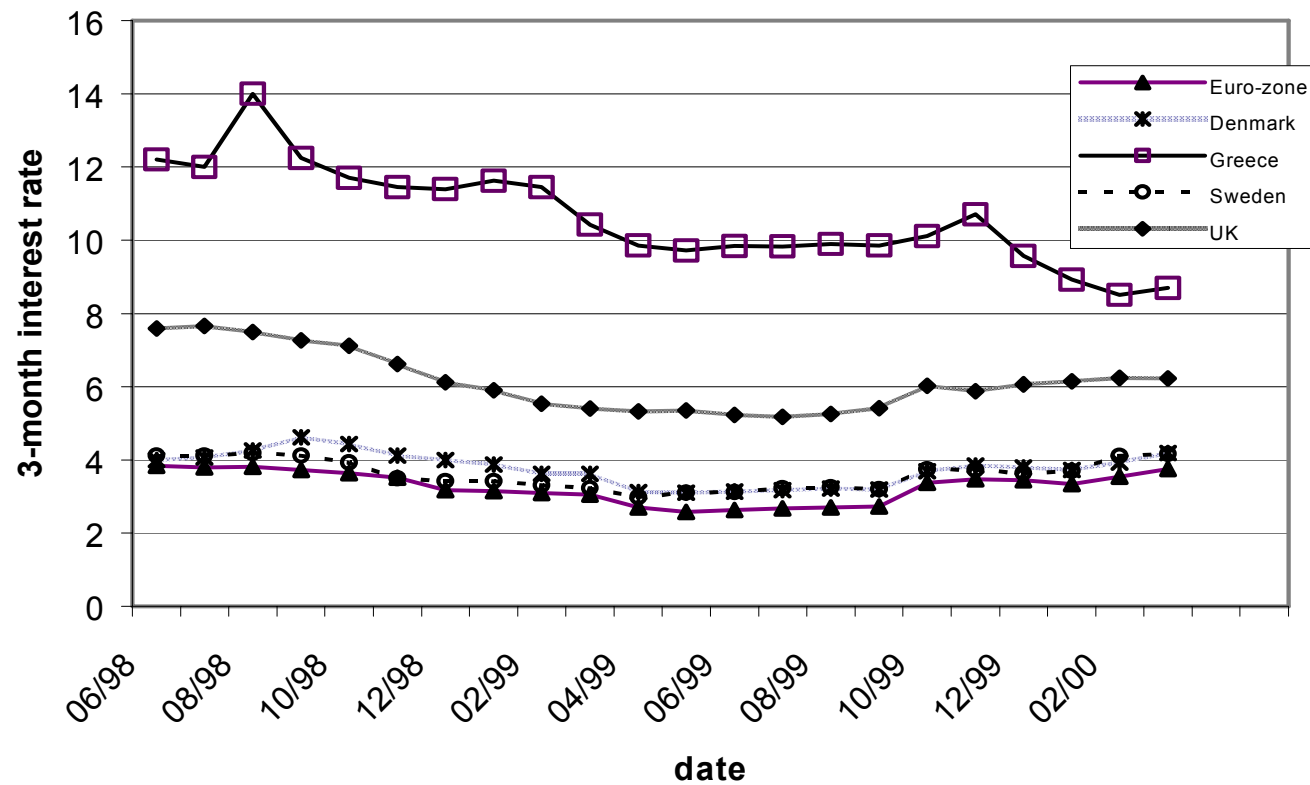


Figure 4 Interest Rate Developments in the EU



Source: ECB Monthly Bulletins

Period average rates are used with the exception of the euro-zone prior to 1999. During this period end-of-period rates are used. Before January 1999 synthetic euro-zone rates were calculated from London interbank offered rates (LIBOR) weighted by GDP. Thereafter euro-zone rates refer simply to euro interbank offered rates (EURIBOR).

Part II The Position of Some Smaller States

6 New Allies for Spain?

Felipe Basabe Lloréns

Spain's Initial Political Priorities and Coalition Patterns after Accession to the European Communities (1986-1992)

Spain's political priorities with regard to EU policy-making have evolved somewhat since the first years of membership to the European Communities to the present situation.¹ The main goals of the Spanish government at the European scale in this period were the consolidation of its political and institutional position within the EC, minimization and subsequent compensation of the negative impacts of accession in certain economic sectors and the need for recognition – not so much as a member of the formal club of 'large' member states, but within the group of 'respected negotiation partners'. The internal process of modernization of the administrative and productive structures and the enhancement of a regionally balanced economic development also focused the attention and priorities of the Spanish political elites at a domestic level in the period prior to the adoption of the Treaty on European Union.²

Spain traditionally adopted very 'integrationist' negotiating positions in this first period as a 'convinced newcomer'³ – thus avoiding the open defence of its national interests – and tried to cope in the best way possible in its first years of

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- 1) CEOE, 'Diez años de España en la Unión Europea (I y II)', *Informes y Estudios de CEOE*, 75 (Madrid: Publicaciones CEOE, 1996); C.F. Molina del Pozo (ed.), *España en la Europa comunitaria: balance de diez años* (Madrid: CEURA, 1996).
 - 2) F. Moderne and P. Bon (eds), *L'Espagne aujourd'hui: Dix années de gouvernement socialiste* (Paris: La Documentation Française, 1993); A. Almarcha Barbado (ed.), *Spain and EC Membership Evaluated* (London: Pinter, 1993).; A. Dastis, 'La Administración española ante la Unión Europea', *Revista de Estudios Europeos*, 1995, no. 90, pp. 223-250.
 - 3) E. Barbé, 'De la ingenuidad al pragmatismo: diez años de participación española en la maquinaria diplomática europea', *Revista CIDOB d'Afers Internacionals*, 1997, no. 34-35, p. 9-30.

membership with the requirements imposed during the long transitional periods leading to its full participation in all Community policies – sometimes at the cost of a radical social and economic effort, which left the impression on certain sectors of society of paying too high a price for full incorporation in the ‘European club’. On the other hand, accession to the EC meant the fulfilment of a historical aspiration for Spanish public opinion and political elites.⁴ Spanish society shared the feeling of getting onto a train that was once missed and was at any price never to be missed again.⁵

Obviously, all matters related to the definition of a regional development policy at European level concentrated Spain’s specific EU political priorities, as well as the subsequent management of the Structural Funds.⁶ Agricultural and fisheries issues also ranked high among Spanish priorities – no doubt due to the enormous and painful restructuring processes undergone by certain Spanish agricultural sectors – within the general preoccupation for the country’s suitability for full accession to the Single Market.

Contrary to some of the ‘veteran’ member states, Spain easily showed a high degree of adaptation to the new qualified majority voting system enacted by the Single European Act from the first moment.⁷ In most major European negotiations during this period Spain acted under the surveillance and support of Germany and, to a lesser extent, France. This was to be explained in terms of the need to secure alliances with some of the ‘large’ member states that had most favoured Spain’s accession and led to the consolidation of the later ‘European negotiation triad’ created by Chancellor Kohl, President Mitterrand and President Gonzalez.⁸ On the other hand, Spain also concentrated its coalition-building efforts during this period within the EC negotiation system, overcoming traditional mutual reticences with Portugal and Italy. In fact, Gonzalez helped to set during these years the foundations of the so-called ‘Southern Front’, which tried to link the negotiating strategies of the Mediterranean countries on certain specific issues under French approval and guidance,⁹ thus reinforcing the position of France as a geostrategic and political core of the EC. No doubt this was a mere political and symbolic reflection of the relative change in powers caused by the double southern enlargement of the 1980s. Finally, Spain found one of its most powerful and

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- 4) R. Bassols, *España en Europa: Historia de la adhesión a la CE (1957-85)* (Madrid: Política Exterior, 1995).
 - 5) M. Ramírez Jiménez, *Europa en la conciencia española y otros estudios* (Madrid: Trotta, 1996); A. Moreno Juste, *España y el proceso de construcción europea* (Barcelona: Ariel Practicum, 1998).
 - 6) D. Ordoñez Solís, *Fondos estructurales europeos: Régimen jurídico y gestión administrativa* (Madrid: Marcial Pons, 1997).
 - 7) Dastis, ‘*La Administración española ante la Unión Europea*’.
 - 8) E. Barbé, *La política europea de España* (Barcelona: Ariel Practicum, 1999).
 - 9) B. Alvarez-Miranda Navarro, ‘Integración europea y sistema de partidos en el Sur de Europa: despolarización y convergencia’, *Revista de Estudios Políticos*, 1994, no. 3, pp. 143-167.

reliable partners at European level in the European Commission led by Jacques Delors, mainly because of its peculiar situation within the EC institutional structure, where at Commission level it could feel treated as part of the 'large member states' club;¹⁰ this was not the case with the European Parliament, despite the relevant role played by some Spanish MEPs from the beginning of their participation in the institution. A good motto to characterize this period would be the straightforward answer to the press with which Spanish Foreign Minister Fernandez Ordoñez summed up the results of Spain's first presidency of the Council in 1989: 'The priority was Europe'.¹¹

The adoption, ratification procedure and implementation of the Treaty of Maastricht, together with the end of most of the transitional periods in 1991 and 1993 for certain economic sectors and the natural adjustment of the Spanish administration to the uses and practices of the EC/EU decision-making process, were at the basis of the extension and diversification of Spain's political priorities and coalition patterns in the EU in later years.¹²

The Slow and Fragile Consolidation of the Spanish Negotiating Position (1992-1997): Changes at Domestic and European Level

The period between 1992 and 1996 was characterized by the steady consolidation of both the Spanish political role within the EC/EU decision-making system and its national negotiation priorities. The results of the 1995 Spanish presidency of the Council could be described as those of 'a strong Spain in a strong Europe'.¹³ President González found refuge during this period in the European fora, away from domestic politics, which increasingly became a battlefield of scandals and corruption accusations, within a framework of progressive weakness of the Socialist Party because of the necessary alliance with Pujol's Catalanian 'nationalist' party after the 1993 general elections.

Gonzalez's strategy at European negotiations during this period was twofold: strong support to the process of European integration, in line with the broad 'integrationist' consensus shared by the Spanish public opinion and most national political parties, together with the reinforcement of Spain's negotiating role – always in the shade of the Franco-German tandem; this simultaneously implied the double requirement of being formally treated as one of the 'large' member states and at the same time claiming special funds and subsidies to take into

10) Barbé, 'De la ingenuidad al pragmatismo'.

11) P. Solbes Mira, M. Arias Cañete and F. Aldecoa Luzárraga, 'La Presidencia española de las Comunidades Europeas', *Cuadernos y Debates*, 13, (Madrid: Centro de Estudios Constitucionales, 1990).

12) F. Morata, 'Spain: Modernization through Integration', in: K. Hanf and B. Soetendorp (eds), *Adapting to European Integration: Small States and the European Union* (London: Longman, 1998), pp. 100-115.

13) Barbé, *La política europea de España*, p. 102.

account Spain's peculiar needs for full economic and social development. Gonzalez managed to link both apparently contradictory points, namely to be a 'large' member in political terms and a 'not-so-large' and 'weak' member in economic terms, what was simply possible at the time by means of the reinforcement of the Kohl-Mitterrand-Gonzalez negotiating axis and the effective Spanish leadership of the group of southern countries. Some national political analysts minted a term that was to become popular in the Spanish political debate: 'Spain tried to become the new Italy in Europe'.¹⁴ Spain came up with proactive proposals in this period (European citizenship, Cohesion Fund, subsidiarity, Barcelona process) onto the European arena.¹⁵ Gonzalez's personal attempt to confirm Spain's leading role of the so-called 'cohesion countries' finally took shape after its performance at the Edinburgh summit.

Much of the significance of this period for the consolidation of Spanish positions within the EU is shown in the relevance of the political contents and strategies used during the Spanish presidency of the Council during the second half of 1995. After three unexpected relatively low-profile presidencies – Greece and Germany (1994) and France in early 1995 – and despite the gloomy forecasts due to domestic political turbulences, the Spanish residency managed to reach global agreements on such significant issues as the definitive relaunching of the process towards Economic and Monetary Union, the initial sketching of Agenda 2000, the Barcelona process towards the Mediterranean countries (despite Germany's initial reluctance) and the solid foundations of the 1996 IGC negotiations by means of the functioning of the Reflection Group presided over by Westendorp.¹⁶ The traditional alliance between Germany and Spain, again the fragile but effective leading role of the southern countries, as well as the thorough preparatory work assumed in the previous year, were at the roots of the surprising success of the 1995 Spanish presidency.

Despite the diversification of Spain's political priorities during this period of consolidation of its national positions,¹⁷ agriculture and fisheries continued to be one of the highest ranking areas – especially the fisheries issues after the conflicts with Canada (1993), Morocco (1995) and the enlargement negotiations with Norway, which is foreseeably still the case nowadays with the complex negotiations on a new fisheries agreement with Morocco to be started this year – as well as those matters related to regional development policy, particularly the

14) Morata, 'Spain: Modernization through Integration'; E. Barbé, 'The National Interests of Spain', in: W. Wessels (ed.), *National versus EU-Foreign Policy Interests: Mapping 'Important' National Interests*, final collective report (Cologne, Brussels: TEPSA, 1998), pp. 70-81.

15) VV.AA., *España y el Tratado de la Unión Europea* (Madrid: COLEX, 1994), p. 7; Barbé, *La política europea de España*, pp. 71 and 89.

16) A. Boixareu Carrera, 'Perspectivas de la Conferencia Intergubernamental de 1996. El Informe del Grupo de Reflexión', *Gaceta Jurídica de la CE*, 1996, D-25, pp. 3-12; Barbé, *La política europea de España*, p. 118.

17) Barbé, 'The National Interests of Spain'.

Structural Funds and the Cohesion Fund, and economic and social cohesion. The permanent pursuit of a special status for the Canary Islands and its peculiar tax regime is to be explained in terms of the continued support granted to the Spanish government by the Canarian 'nationalist' parties. At the same time, the process leading to the creation of Economic and Monetary Union also started to concentrate Spain's political attention heavily, especially since Aznar finally came to power including Spain's entry into the third stage of EMU as the main point of his electoral programme¹⁸ and the fundamental motivation for his subsequent parliamentary alliance with the Catalanian, Basque and Canarian 'nationalist' parties.

An issue that has in a progressive and remarkable way attracted Spain's political interest on a European scale is cooperation in the fields of justice and home affairs, especially on those issues related to immigration, external border control and police cooperation against terrorism and drug trafficking.¹⁹ This is mainly due to its conflictive geographical position between Europe and Africa and the need to develop the fight against the Basque terrorist group ETA at an international level. The Spanish Ministries of Home Affairs and Justice, traditionally reluctant about international cooperation, have developed a new dynamic approach to these issues and even held leading positions and presented initiatives on a European scale in this field in close cooperation with their German and French counterparts. Spain's activity within the Common Foreign and Security Policy has been less relevant and has systematically followed the consensus forged around the *directoire* of 'large' member states, concentrating its efforts on relationships with the Mediterranean countries and Latin America.²⁰

Spain played an important role in the 1990-91 Intergovernmental Conferences, where its priorities were centred on institutional issues (due to its peculiar position within the EC/EU institutional structure) and those related with the deepening of the contents of European citizenship, the definition of the principle of subsidiarity (together with Germany and Belgium), the introduction of the principle of sufficiency of financial means and the reinforcing of economic and social cohesion.²¹ In what meant the first step away from the initial pro-European illusion to a new reinforced pragmatism, Spain acted as leader of a coalition of member states that called for the creation of a Cohesion Fund – besides the traditional Structural Funds, because of their exclusive regionally-based impact – on the basis of the principle of economic and social cohesion and the fear of being left out in the EMU process.²² Such a surprising negotiation outcome was based

18) C. Martín, *España en la nueva Europa* (Madrid: Alianza, 1997).

19) Spanish Ministry of the Interior, *El tercer pilar de la Unión Europea: La cooperación en asuntos de justicia e interior* (Madrid, Publicaciones del Ministerio del Interior, 1997).

20) R. Gillespie, F. Rodrigo and J. Story (eds), *Las relaciones exteriores de la España democrática* (Madrid: Alianza, 1995).

21) VV.AA., *España y el Tratado de la Unión Europea*, pp. 55 and 311.

22) Barbé, 'De la ingenuidad al pragmatismo'; Barbé, *La política europea de España*.

on the linkage of the dossier by President Gonzalez with the future European free trade Association (EFTA) enlargement, the EMU process and an important concession: the initial acceptance by Spain of qualified majority voting in certain policy areas (such as environmental issues). Spain's particular interest in institutional issues was also reflected in the negotiations that were concluded with the adoption of the so-called 'Ioaninna Compromise' in 1994, this time acting within an awkward and new coalition with the British delegation.²³

Spain has always defended the principle of subsidiarity – together with other non-unitary member states, such as Germany and Belgium – as a means to improve EC/EU action, not so much for the devolution of powers to the member states, and its exclusive application to the member states' relationships, not within the internal structure of the States themselves. Obviously, this view has been traditionally contested by some of Spain's regional governments, especially in those autonomous communities with 'nationalist' parties in power.²⁴ Spain has also traditionally continued to assume a major role in regular EU budgetary negotiations as a leader of the so called 'cohesion countries'. It could be stated in general terms that Spain evolved during this period (1992-96) from adapting its internal structures and interests to the EU decision-making process to strengthening its negotiating positions with a view to a wider and stronger defence of its national interests.

President Aznar came to power in 1996 with two major handicaps on a European level, linked to his relative lack of extensive experience in these areas: the fact that some months later he became practically the only head of government in the EU belonging to a Conservative political party; and the permanent memory of President González's role and influence within EU negotiations.²⁵ In fact, the 1996 IGC was the first major international dossier and negotiation handled by his government, which necessarily implied the search for continuity with the previous negotiation positions and strategies.²⁶ The Treaty of Amsterdam was to mean for Aznar *vis-à-vis* Spanish public opinion what the Treaty of Maastricht had meant for González, and was a permanent source of internal comparison, especially after Aznar's controversial declarations about González's negotiating abilities in 1992 after the Edinburgh European Council – the so-called 'beggar's syndrome'.²⁷

23) VV.AA., *España y el Tratado de la Unión Europea*, p. 87.

24) W. Genieys, 'Autonomous Communities and the State in Spain: The Role of Intermediary Elites', in: P. Le Galès and C. Lequesne (eds), *Regions in Europe* (London: Routledge, 1998).

25) Moderne and Bon, *L'Espagne aujourd'hui*.

26) R. Arias Salgado, 'La política europea de España y la conferencia intergubernamental de 1996', *Política Exterior*, 1995, vol. IX-47, pp. 38-46.

27) Molina del Pozo, *España en la Europa comunitaria*; Moreno Juste, *España y el proceso de construcción europea*; Barbé, *La política europea de España*, p. 140.

Spain and the Amsterdam Intergovernmental Conference: A Different Negotiation Model?

Spain's National Priorities in the 1996 IGC

Spain played a relevant and high-profile role in most phases of the 1996-1997 Intergovernmental Conference. Its traditional 'integrationist' approach in previous IGCs was this time more moderate; some Spanish political commentators have even spoken of a 'defensive' negotiating position. The Spanish delegation acted in clear defence of its national interests in several negotiation dossiers.²⁸ In fact, despite its official statements, the Spanish delegation did not in practice envisage EU enlargement to the central and east European countries as the all-embracing common objective that justified the reform; nor did Spanish public opinion. The Spanish negotiation positions during the different IGC phases were not affected by the change of political parties at national governmental level because of the broad consensus in these fields, the maintenance of the same negotiating team at the technical level centred around the permanent representation staff²⁹ and the referral to the *Cortes* Resolution on the 1996 IGC.³⁰ For the first time in an IGC, the Spanish delegation voted with a complete parliamentary text agreed by all Spanish political parties within the Joint Commission Congress-Senate for the European Union – which acted to a certain extent as a 'negotiation mandate' – plus two specific legislative proposals on the status of the Canary Islands and child protection³¹ that were later agreed, on which to rely in terms of legitimacy and political consensus. The serious impact within the Spanish political elites caused by the Lammers/Schäuble Report of 1994 – especially its 'variable geometry' scheme and the proposal for a massive transfer of policy areas to qualified majority voting at a later stage – is to be found at the basis of the *Cortes* Resolution and most of Spain's later negotiating positions.³²

The document *Bases para una reflexión*³³ of 2 March 1995 prepared by the Spanish government and made public during its 1995 presidency of the Council,

28) J. Elorza Cavengt, 'El Tratado de Amsterdam: valoración para España', *Meridiano CERI*, no. 16, August 1997, pp. 4-7; VV.AA., *España y la negociación del Tratado de Amsterdam* (Madrid: Biblioteca Nueva, Política Exterior, 1998), p. 56.

29) VV.AA., *España y la negociación del Tratado de Amsterdam*, p. 45.

30) 'Dictamen de la Comisión Mixta para la Unión Europea en relación con el Informe elaborado por la Ponencia sobre consecuencias para España de la ampliación de la Unión Europea y reformas institucionales (Conferencia Intergubernamental, 1996), 21 December 1995', *Boletín Oficial de las Cortes Generales*, no. 82, Serie 4 of 29 December 1995, pp. 1-28.

31) Respectively, *Boletín Oficial de las Cortes Generales*, no. 64 of 29 October 1996 and no. 37 of 9 April 1997.

32) VV.AA., *España y la negociación del Tratado de Amsterdam*.

33) Ministerio de Asuntos Exteriores (Ministry of Foreign Affairs), *La Conferencia Intergubernamental de 1996: Bases para una reflexión*, Madrid, 2 March 1995.

together with the initiatives undertaken by Carlos Westendorp as Chairman of the Reflection Group – whose nomination implied the first diplomatic conflict with France during the Corfu European Council – helped to define the IGC agenda and general framework for the development of the negotiations according to some of the Spanish proposals.³⁴

The priorities of the new Spanish government with regard to the revision of the Maastricht Treaty were made public in October 1996, some months after the accession of the People's Party (PP) to power, and followed the general consensus among the major political parties as contained in the *Cortes* Resolution of 21 December 1995. Continuity presided over both the content of the proposals and the nomination of the non-political members of the negotiating team of the new Spanish Conservative government with regard to those of the previous Socialist one.³⁵ Internal debate only arose with regard to the so called 'asylum protocol'.³⁶ Spain presented 29 official written proposals,³⁷ three of them jointly with other member states. Ten of them were finally incorporated into the new text of the Treaty, adopted with minor changes. Another nine proposals were tabled during the last stage of the negotiations without having been officially codified.³⁸

The main Spanish proposals,³⁹ apart from the maintenance of the clear separation between the IGC negotiations and the EMU process,⁴⁰ were: support to the incorporation of a new chapter on employment; the creation of an area of freedom, security and justice, together with the reinforcement of the role of EUROPOL and judicial cooperation at a European scale; and – what constituted the most controversial issue for Spain's general public and media – the prohibition of the admissibility of political asylum requests by EU nationals. These three proposals were to be understood within the framework of the fight against the Basque terrorist group ETA in its international dimension;⁴¹ the reinforcement of

34) Boixareu Carrera, 'Perspectivas de la Conferencia Intergubernamental de 1996'; VV.AA., *España y la negociación del Tratado de Amsterdam*, pp. 37 and 40; M. Oreja Aguirre (ed.) and F. Fonseca Morillo (coord.), *El Tratado de Amsterdam: Análisis y comentarios* (Vols. I y II) (Madrid: McGraw Hill, 1998), especially chapter 3 by M. Oreja Aguirre, 'El desarrollo de la C.I.G', pp. 73-116.

35) Barbé, *La política europea de España*, p. 118.

36) VV.AA., *España y la negociación del Tratado de Amsterdam*, p. 87; Barbé, *La política europea de España*, p. 132.

37) See note 36.

38) VV.AA., *España y la negociación del Tratado de Amsterdam*, pp. 45 and 57.

39) Spanish Ministry of Foreign Affairs, *Reflexiones sobre la Conferencia Intergubernamental 1996* (Madrid: Publicaciones del Ministerio de Asuntos Exteriores, 1995); E. Barbé, 'Spain', in: R. Hrbek (ed.), *Die Reform der Europäischen Union: Positionen und Perspektiven anlässlich der Regierungskonferenz* (Baden-Baden: Nomos Verlag, 1997), pp. 169-174.

40) VV.AA., *España y la negociación del Tratado de Amsterdam*, p. 42.

41) Spanish Ministry of the Interior *El tercer pilar de la Unión Europea*; R. Gosalbo Bono, 'Las disposiciones del Tratado de Amsterdam relativas a la cooperación policial y judicial en materia penal', *Revista General de Derecho*, 1998, A.54, no.

the Committee of the Regions (together with Germany, Austria and Belgium);⁴² the simplification of the co-decision procedure; the establishment of an effective common security and defence policy by means of the prospective integration of the WEU within the EU;⁴³ the justiciability of the European Convention on Human Rights before the European Court of Justice;⁴⁴ the reinforcement of the principle of equal treatment between men and women; the encouragement and coordination of voluntary organizations; and the creation of a permanent statute for the outermost and island regions (Canary Islands).⁴⁵ The declaration on the protection of the family failed to gain overall support from other member states.

With regard to the institutional issues, Spain never presented any written proposal on the weighting of votes in the Council or on the number of members of the Commission.⁴⁶ Its oral proposals of a tactical nature in this sense defended a 'final number of Commissioners smaller to that of member states' – one permanent Commissioner for each large member state, rotation for the rest – necessarily linked to the reweighting of the votes within the Council. Spain ended up having to block the global result of the Conference at the last minute, due to the conviction that its national interests were not being ensured enough with the final text adopted on institutional reform, therefore claiming for the redrafting of the so called 'institutional protocol'.⁴⁷ Spain was not ready to accept the refusal of one of its Commissioners without parallel compensation within the Council voting system. Once again, Spain's peculiar institutional situation, half way between that of a 'large' and a 'smaller' member state, left its delegation in an awkward position concerning possible coalitions with other member states. The 'Ioannina compromise' was therefore extended in its enforcement period and Spain accepted the insertion of a political declaration stating that its particular case would be taken into account at the moment of further institutional reform due to future enlargements of the Union. The plenary debate at the Spanish Congress of Deputies following the intervention of President Aznar to explain the results of the Amsterdam summit precisely focused on this institutional dossier, as well as on the results achieved with the insertion of the controversial 'asylum protocol'.⁴⁸

644, pp. 5863-5901; VV.AA., *España y la negociación del Tratado de Amsterdam*, pp. 61, 73 and 103.

42) VV.AA., *España y la negociación del Tratado de Amsterdam*, p. 315.

43) VV.AA., *España y la negociación del Tratado de Amsterdam*, p. 223.

44) VV.AA., *España y la negociación del Tratado de Amsterdam*, p. 291.

45) VV.AA., *España y la negociación del Tratado de Amsterdam*, p. 155.

46) VV.AA., *España y la negociación del Tratado de Amsterdam*, pp. 251 and 271.

47) Oreja Aguirre and Fonseca Morillo, *El Tratado de Amsterdam*; VV.AA., *España y la negociación del Tratado de Amsterdam*, p. 47.

48) Spanish Congress of Deputies, Secretariat General, 'Tratado de Amsterdam:– Documentación preparada para la tramitación del Proyecto de Ley Orgánica por la que se autoriza la ratificación por España del Tratado de Amsterdam', *Boletín Oficial de las Cortes Generales*, 1998, no. 117-1/2, Serie A of 26 May 1998.

Finally, Spain clearly rejected certain proposals by other member states that would have affected its national interests, especially those of a wider notion of the principle of 'flexibility' and the redrafting of the conditions of application of the principle of subsidiarity.⁴⁹ Spain was particularly insistent on the maintenance of the most rigorous conditions for the enactment of reinforced cooperation procedures and the restriction of its application to a vast number of policy areas, for fear of exclusion from decision-making centres in the EU. At the same time, certain attempts to reduce the powers of the European Court of Justice and the European Commission⁵⁰ or to reinforce the role of national parliaments within the EU decision-making process⁵¹ were also attacked by the Spanish delegation. On the other hand, Spain defended the extension of qualified majority voting exclusively to certain specific areas, with a total rejection of such extension in the cases of management of the Structural Funds, social protection and management of water resources.⁵² The Spanish delegation also managed to avoid any reference in the new Treaty to the so-called 'quota hopping' fisheries issue defended by the United Kingdom and the inclusion of any provision that might negatively influence Spanish claims regarding the Gibraltar issue.⁵³

Spain's Coalition Patterns and Negotiation Strategies during the 1996 IGC

In general terms, it could be stated that Spain's negotiation strategies and methods during the 1996 Intergovernmental Conference were rather similar and continuist in style – not so much in the substance – with regard to those used during the Maastricht negotiations, with the exception of an increased presence and decisive intervention by the President and his private Cabinet.⁵⁴ However, in substantive terms, positions were expressed in a much more defensive and reactive way. The formal continuism is mainly due to the fact that the components of the Spanish negotiating team at a technical level were practically the same in both Conferences and even during the different phases of the 1996 IGC, despite the change of political parties at national governmental level, as it was the case with other national delegations. The negotiating team was always under the direction of Spain's Permanent Representative, Javier Elorza Cavengt, who acted both as the Spanish member of the Reflection Group and Representative of the Spanish government at the later stages of the negotiation process.

On the other hand, the economic and political context – radically influenced by the situation of economic crisis and high unemployment rates at an EU level and the triumph of Blair and Jospin in the British and French national elections

49) VV.AA., *España y la negociación del Tratado de Amsterdam*, pp. 163 and 331.

50) VV.AA., *España y la negociación del Tratado de Amsterdam*, pp. 52 and 291.

51) VV.AA., *España y la negociación del Tratado de Amsterdam*, p. 321.

52) VV.AA., *España y la negociación del Tratado de Amsterdam*, p. 54.

53) Elorza Cavengt, 'El Tratado de Amsterdam'.

54) Barbé, *La política europea de España*, p. 130.

respectively – and the lack of a main negotiating goal and general model shared by all member states⁵⁵ inevitably led to continuous changes in the negotiation strategies, imprecise definition of national positions and recurrent mixed use of tactical and substantive proposals, in a more dynamic and open negotiation process than that of Maastricht.⁵⁶

The traditional alliance of Spain with the Franco-German axis, which had helped to define at a very early stage some of the common negotiating positions *vis-à-vis* the likely results of the Conference, did not function as effectively as on previous occasions, due to the internal problems and contradictions within the German delegation and the lack of an effective dialogue between Kohl's and Aznar's administrations, and, particularly, to the radical change in some of the French positions after Jospin's election, which were publicly criticized by Aznar some days before the Amsterdam European Council, especially with regard to institutional issues and the transfer of certain areas to qualified majority voting. Spain actually lost major allies in some of the most relevant negotiation issues due to the results of the British and French elections. In any case, Spain was forced to use a wider range of negotiation alliances in the 1996 IGC – some of them with non-traditional EU allies, such as the Nordic countries or the United Kingdom – than on previous occasions, and experienced traumatic conflicts with regard to specific issues (such as asylum protocol, subsidiarity, 'quota-hopping' and Schengen) with national delegations (Belgium, Ireland and the United Kingdom) with which other dossiers were perfectly jointly worked and negotiated.⁵⁷ On the other hand, Spain could not play its traditional role as leader of the 'cohesion countries' to a very large extent because of the increasing lack of common negotiation interests.⁵⁸

Negotiations on the so-called 'asylum protocol', particularly important *vis-à-vis* Spain's internal political debate, provoked a serious conflict with Belgium – which resulted in the final inclusion in the Treaty of a declaration by Belgium on the issue – and, to a lesser extent, with Ireland, as well as with the French, Dutch, Swedish, Finnish and Austrian delegations. The extreme visibility and general public debate arisen by ACNUR's and Amnesty International's comments on the Spanish proposal to suppress 'political asylum' for EU nationals put it at the forefront of the follow-up to the negotiations by Spanish public opinion and, much to the regret of the Spanish negotiation delegation, obliged Aznar to come back home with a 'necessary victory', which tied the hands of the Spanish negotiators with regard to other issues, as recognized by Elorza himself.⁵⁹

55) I. Bullaín, 'Europa y la Conferencia Intergubernamental de 1996', *Revista de Instituciones Europeas*, 1996, vol. 32-1, pp. 119-133.

56) VV.AA., *España y la negociación del Tratado de Amsterdam*, p. 45.

57) VV.AA., *España y la negociación del Tratado de Amsterdam*, p. 45; Barbé, *La política europea de España*, pp. 130 and 132.

58) Martín, *España en la nueva Europa*.

59) Elorza Cavengt, 'El Tratado de Amsterdam'.

A second serious argument arose with the British delegation once the negotiation itself had concluded, with regard to the 'quota-hopping' dossier.⁶⁰ This was because of the letter sent to the Spanish Minister of Foreign Affairs by the Commission's Secretary-General, David Williamson,⁶¹ which was very negatively interpreted and aggressively rejected by the Spanish Government, and the drafting of the final text of the Schengen Protocol,⁶² which, according to the Spanish delegation, required unanimous voting (and not qualified majority voting, as alleged by the British delegation) for the later participation and acceptance by the United Kingdom and Ireland in decisions adopted within the Schengen framework. This latter issue was vital for the Spanish delegation because of its 'Gibraltar repercussions'.⁶³

Spain acted jointly with Germany, France, Italy, Belgium and Luxembourg on defence and CFSP issues, against some of the British counterproposals aiming at reducing the scope of the defence provisions within the Treaty. This negotiation was particularly delicate for Spain, in order not to interfere with the parallel ongoing negotiations for its full integration within the military structure of NATO.⁶⁴ Spain acted very effectively together with France and Portugal for the inclusion of a special statute for outermost and island regions in the Treaties, as well as with the Austrian and Swedish delegations *vis-à-vis* the strengthening of the provisions on the principle of equal treatment for men and women. Denmark and the United Kingdom were unexpected last minute allies in the refusal of the transfer of certain policy areas to qualified majority voting. In fact, Spain used its only major tactical proposal linked to this 'qualified majority voting' negotiation, that of the strict defence of the principle of sufficiency of financial means, in order to help reject indirectly the abandoning of unanimous voting in certain policy areas (social security, structural funds, environment).

The German, Austrian and British delegations proposed a redefinition of the principle of subsidiarity for different reasons; the Spanish government, at a high internal political price – the rejection of the proposals in a similar direction by most autonomous communities and the 'nationalist' parties – which later bitterly arose within the parliamentary debates on the ratification process of the Treaty of Amsterdam,⁶⁵ defended the continuity of the 'Maastricht subsidiarity formula'. The Spanish delegation also had to assume the defence of bullfighting as a tradition of national cultural identity against the proposals by the United Kingdom, Germany, Austria and the Nordic delegations; and was obliged to draw back its proposal for a 'family protection' provision, which had been heavily publicized by certain national media. Spain firmly opposed what it defined as

60) VV.AA., *España y la negociación del Tratado de Amsterdam*, p. 56.

61) See *Agence Europe*, 19-20 June 1997.

62) See *Agence Europe*, 26 June 1997.

63) Spanish Ministry of the Interior, *El tercer pilar de la Unión Europea*.

64) Arias Salgado, 'La política europea de España y la conferencia intergubernamental de 1996'; Barbé, *La política europea de España*, p. 126.

65) Spanish Congress of Deputies, Secretariat General, *Tratado de Amsterdam*.

‘regressive proposals’ by some national delegations, namely the British attempt to reduce the powers of the European Court of Justice and the German suggestion to create an independent Competition Agency at European level.

However, it was the ‘flexibility’ dossier and the institutional issues that forced Spain’s negotiation strategies most within the 1996 IGC.⁶⁶ With regard to ‘flexibility’, Spain fought for the strictest possible drafting of the principle, for fear of the ‘multi-speed Europe’ concept that hid behind the Franco-German (supported by the Italian and some Benelux delegations) proposal.⁶⁷ Spain initially joined the opposing group made up of the United Kingdom, Ireland, Greece, Portugal and the three Nordic countries, and at a second stage followed the alternative proposal defended by Portugal, Ireland and Sweden which required not only unanimous voting – as the United Kingdom, Denmark and Greece demanded – for the application of reinforced cooperation schemes, but also a preliminary set of principles and conditions, especially with regard to its enactment within the First Pillar. Much of this negotiation was agreed in parallel with the Nordic demands for greater flexibility of internal market rules *vis-à-vis* environmental requirements. The ‘flexibility’ negotiation shows at its best the new dynamic coalition patterns followed by the Spanish delegation, so far from the fixed schemes that were characteristic of the first years of EC/EU membership, when Spain clearly acted in alternative cooperation with the Franco-German axis and/or the ‘cohesion countries’. On the other hand, the widening of the policy scope of the EU agenda and the lack of clear political leadership at a European level in recent times helps to explain the diverging trends in the Spanish negotiation alliances and coalition patterns.

Finally, negotiations on the institutional issues were the most dramatic and risky for Spain, mainly due to its peculiar weak position within the EU institutional structure in terms of representation within the Commission and the Council. The failure of the previously agreed alliance with France and the negotiation tactics used by the Dutch presidency in this dossier forced the Spanish delegation finally to block the global negotiation and the final agreement of the Conference by means of the aggressive play of a ‘national’ card. The last minute meeting of Aznar, Kohl, Kok and Dehaene resulted in amendments to the final drafting of the so-called ‘institutional protocol’,⁶⁸ which postponed the institutional reform, and the inclusion of a declaration that recalls the special interests and compensations required by Spain for the loss of its second Commissioner.⁶⁹ This extremely delicate agreement was at the core of the national ratification debate and places the Spanish delegation in an awkward position *vis-à-vis* the next Intergovernmental

66) VV.AA., *España y la negociación del Tratado de Amsterdam*, pp. 50 and 331.

67) Barbé, *La política europea de España*, p. 80.

68) Oreja Aguirre and Fonseca Morillo, *El Tratado de Amsterdam*.

69) Elorza Cavengt, ‘El Tratado de Amsterdam’.

Conference for institutional reform,⁷⁰ especially taking into account the limited number of possible trade-offs due to the limited agenda scope initially agreed.

A New Scenario after Amsterdam? The Current Spanish Priorities and Coalition Patterns: Strategies towards the 2000 IGC

Spain after Amsterdam

Spain's post-Amsterdam situation, initially influenced for the Spanish public opinion by Javier Solana's role in the Kosovo crisis and nomination as 'Mr CFSP', is closely connected to the peculiar process of strengthening the internal and external political position of President Aznar. A minor process of internal reform of the administrative structures (mainly at the Ministries of Foreign Affairs and Economy) dealing with EU affairs has been motivated by the changes involved in the Amsterdam Treaty.⁷¹ Despite some political signs such as the Socialist Party's insistence on the loss of influence of the international position of the Spanish government,⁷² the relative apathy that presides over the traditional German-Spanish diplomatic relationships,⁷³ which was partially solved during the German-Spanish bilateral summit in Berlin on 3-4 December 1999, and the less 'integrationist' approach to EU issues than that of González, it seems quite evident, at least from a quantitative point of view, that Aznar's government continues to play a rather active role in the European arena, although more reactive than anticipatory.⁷⁴

With the exception of the political crisis related to the alleged corruption scandal in EC flax subsidies under Loyola de Palacio's ministerial mandate, the People's Party and the Government have been keen on showing an active role in adopting EU initiatives on issues related to Home and Judicial Affairs, assuming a certain protagonism during the Tampere European Council and the Home and Justice Affairs Council of 29 May 2000, as well as with the initial joint proposal with France⁷⁵ for the creation of a Council of Defence Ministers at EU level,

70) N. García Santos, 'El Consejo Europeo de Amsterdam: ocasión perdida para avanzar en la construcción europea', *Cuadernos de Información Económica*, 1997, no. 123, pp. 53-60; Barbé, *La política europea de España*, p. 171.

71) F. Basabe Lloréns, 'Spain: The Emergence of a New Major Actor in the European Arena?', in: W. Wessels, A. Maurer and J. Mittag (eds), *Fifteen into One?: The European Union and its Member States* (Manchester: Manchester University Press, forthcoming).

72) *El País*, 29 November 1999.

73) After the controversial declarations to the national press by former Ambassador Wegener, and Schröder's and Aznar's confrontation during the Berlin European Council negotiations.

74) Barbé, *La política europea de España*, p. 168.

75) See *El País*, 26 October 1999.

together with a reduced military structure, to compensate for the Franco-German and Italo-British previous initiatives in these fields, and the final major defence proposal among the five 'large' member states.

Spain also played a high-profile role in the negotiation processes concerning budgetary reform;⁷⁶ not so much until now in what concerns the accession of new member states.⁷⁷ In fact, it assumed the role of major actor in such negotiations due to the double fact that Spain was then the only large EU state with a Conservative political party in power – no doubt Aznar's leadership within the European People's Party has been strongly reinforced in recent years – as well as the fact that it felt obliged to lead the position and interests of the so-called 'cohesion countries' *vis-à-vis* the proposals of the northern countries for budgetary reform. Spain could have been one of the member states to have its national interests most negatively affected by the results of the 1999 Berlin European Council. The management and effectiveness of the Structural Funds in the Spanish economy have only started to develop their full effect in recent years.⁷⁸ Spain needs to extend its present status as a net recipient state in financial terms as long as possible in order to reduce further the economic gap between its regions and with regard to other member states. The renationalization of the traditionally 'integrationist' Spanish policy towards these budgetary issues seems unavoidable, at least in the short term, given the current European political scenario.

Aznar achieved a major internal political success with the entry of Spain into the third phase of Economic and Monetary Union.⁷⁹ Such an achievement has been accompanied by good economic results regarding inflation rates, employment growth, public deficit and interest rates – although the inflation percentages have risen dangerously in recent months. The effective performance of Aznar's economic advisers, the relative lack of internal social tensions – apart from the new scenario created by the complex Basque 'peace process' which polarizes the current political national debate – the new role to be played by the European Conservative political parties and their leaders⁸⁰ and the experience accumulated in the European and international arenas in the last four years are the main foundations of Aznar's internal solid position *vis-à-vis* the EU negotiation processes. The coordinating role of the 'cohesion countries' was relatively reinforced in 1998 and early 1999 by means of close contacts with the Portuguese and Greek governments.

76) Barbé, *La política europea de España*, p. 143.

77) Spanish Cortes Generales, Comisión Mixta para la Unión Europea, *Informe sobre La ampliación de la Unión Europea*, Publics. Secretaría General del Congreso de los Diputados, 1999.

78) CEOE, 'Diez años de España en la Unión Europea (I y II)'; Molina del Pozo, *España en la Europa comunitaria*; Elorza Cavengt, 'El Tratado de Amsterdam'; Martín, *España en la nueva Europa*.

79) Martín, *España en la nueva Europa*.

80) EPP meetings on 24 November 1999 and 8 December 1999.

Spain's reticence *vis-à-vis* the enlargement of the EU towards central and eastern Europe is mostly motivated by its financial and institutional repercussions. Recent contacts at the highest political level between the Spanish government and certain governments of candidate countries (Poland, Hungary and the Czech Republic) confirm this impression. Access by Spanish economic actors to such new markets is low and unlikely to develop, and historical and cultural links with such countries are not too close. Spain shall be in the position to condition the enlargement to the maintenance of a certain status quo within the present institutional and financial set-up of the EU.⁸¹

Finally, the relationships between the Spanish government and the European Commission – very much personalized by the relative disagreement between Aznar and Prodi – are not at their best, despite Aznar's visits at the end of 1999;⁸² on the other hand, Aznar has tried to reinforce his connections with the European Parliament, primarily based on the ideological affinity with the largest EP group and his leading role among the European Conservatives. The recent agreement for the creation of EADSC, a European-wide company on military aviation, by Germany, France and Spain, which prompted a visit to Madrid by Schröder and Jospin,⁸³ together with the German-Spanish bilateral summit in Berlin and the French-Spanish bilateral summit in Santander,⁸⁴ have helped to set Spain's relationships with the Franco-German axis back on track. This re-encounter materialized in the creation of Joint Working Groups for the 2000 Lisbon Summit and the launch of joint proposals in the fields of Justice and Home Affairs⁸⁵ and the basis for an agreed agenda with a view to the next IGC 2000.

Strategies and Expected Positions towards the Next IGC 2000 for Institutional Reform

The Spanish government has not adopted any official position or internal document yet with regard to the next IGC for institutional reform, although its strong interests and delicate role to play in such a Conference seem obvious, taking into account the results of the institutional dossier at the Amsterdam European Council. In fact, the only clues in this respect come from the initial reactions by President Aznar and the Spanish Permanent Representative, Elorza, to the

81) Spanish Cortes Generales, Comisión Mixta para la Unión Europea, *Informe sobre La ampliación de la Unión Europea*; Barbé, *La política europea de España*, p. 148.

82) See *El País*, 25 November 1999 and 9 December 1999

83) See *El País*, 3 December 1999.

84) See *El País*, 17-18 May 2000.

85) See *El País*, 30 May 2000.

publication of the so-called Dehaene Report⁸⁶ and the later Commission Report⁸⁷ on such issues.⁸⁸

Both Aznar and Elorza reacted in an extremely negative way to the – Dehaene Report and Commission proposals. In fact, some Spanish media⁸⁹ timidly started a debate on the suitability of such an aggressive approach, taking into account the extreme relevance of the EU institutional dossier for Spain and the negative consequences to be derived from such an ‘anti-integrationist tone’. While Aznar has insisted on the fact that Spain is not ready to lose its present institutional representation without any compensation or accept any attacks to the *acquis*, Elorza’s harsh response to the Dehaene Report claimed that ‘such unbalanced text only represents the interests of small member states and more especially the positions of the Benelux countries’.⁹⁰ The reaction of the Spanish government insists on the rejection of the increase of the presidentialist character of the European Commission against its collegial nature, as well as of the possibility of the division of the Treaty into two texts of different nature which could be respectively reformed by unanimous and qualified majority voting.

Spain’s expected positions *vis-à-vis* the IGC 2000 inevitably seem to be centred around the idea of a minimalist Conference (the ‘mini-reform’) strictly limited to the institutional issues, without even initially including the possibility of simplification of the ‘flexibility’ rules or the extension of qualified majority voting to new policy areas. Elorza has justified this restrictive approach to the IGC on its premature character, the need not to leave the United Kingdom alone in its process towards EMU, the necessary period required to evaluate the impact of the entry into force of the single currency in the member states’ economies and the interest of not hardening the process of enlargement towards the central and east European countries with a widely oriented reform which would add difficulties to the negotiation process and its further ratification.⁹¹

The results of the meetings between Aznar and both the President of the European Commission and the Finnish and Portuguese presidencies of the Council have confirmed the limited approach of the Spanish positions towards the IGC and its reluctance to include the flexibility and qualified majority voting dossiers within the agenda. On the other hand, Aznar has been quite active in supporting the European defence proposals in their most ‘integrationist’ version, that is, appointing the highest diplomatic rank representatives to the COPS and

86) See *El Pais*, 19 October 1999.

87) See *El Pais*, 11 November 1999.

88) Together with the press notes of the meetings between Aznar and Prodi (24 November 1999), the Finnish presidency of the Council (26 November 1999), again Prodi (29 November 1999), Lionel Jospin (2 December 1999), Schröder (3-4 December 1999), Antonio Guterres (7 December 1999) and some EPP Commissioners (8 December 1999).

89) *El Pais*, 24 October 1999, p. 11.

90) *El Pais*, 19 October 1999, p. 2.

91) See *El Pais*, 19 October 1999.

rejecting the need for further treaty reform and subsequent national ratification procedures.

The bilateral interviews with Prime Minister Jospin and Chancellor Schröder during the signature of the EADSC agreement and the Spanish-German bilateral summit, together with the personal meetings between Aznar and the Portuguese Prime Minister Guterres, as well as with President Chirac, have helped to define further the Spanish positions *vis-à-vis* the IGC 2000 agenda. Spain seems to have reluctantly accepted the inclusion of the transfer of qualified majority voting to certain specific areas of the Treaty as a means for further negotiation compensation tactics *vis-à-vis* the reweighting of votes in the Council, in coordination with a final limited agenda on institutional matters. Issues such as the Structural Funds, fiscal harmonization and some environmental areas will certainly be excluded from the transfer according to Spain's initial positions.

Concluding Remarks: A Price too High to be a 'Large' Member State?

Spain is increasingly becoming a difficult partner in EU negotiations. This is not only due to the coming into power of a political party (PP) with a less 'integrationist' approach, but to the objective fact that Spain has naturally evolved from adapting its internal structures and interests to the EC/EU decision-making process to strengthening its negotiating positions with a view to a wider and stronger defence of its national interests.⁹² A consequence of this new situation is the lack of clear and permanent alliances with other member states, the abandoning of strict loyalties and the simultaneous participation in different negotiation fora within the EU system.

On the one hand, Spain's priorities, negotiation techniques and coalition patterns at the European level follow the lines of continuity:

- Same negotiation teams and allocation of responsibilities.
- Maintenance of an internal coordination system – although imperfect in its functioning, satisfactory enough for all ministries and public administrations involved, except for the autonomous communities, especially those with ‘nationalist’ parties in power – based on the Secretariat of State for the European Union (SEUE)⁹³ within the Ministry of Foreign Affairs and the Spanish Permanent Representation in Brussels.⁹⁴

92) Barbé, *La política europea de España*, p. 173.

93) Formerly Secretariat of State for Foreign Policy and the European Union (SEPEUE).

94) Basabe Lloréns, 'Spain: the Emergence of a new major Actor in the European Arena?'.
 95) Ibid., p. 10.

- Fear and reluctance about any concept of 'multi-speed' Europe that might imply being left behind by a group of 'streamliners'.⁹⁵
- Linkage to the Franco-German axis.
- Strict defence of the *acquis* as unattackable common ground for any European debate.⁹⁶

On the other hand, Spain has experienced a considerable number of changes in its negotiation strategies and coalition patterns in recent years:

- Varying alliances, including coalition with non-traditional allies, such as the Nordic countries or the United Kingdom. In any case, Spain naturally follows those alliances including a 'large' member state, especially Germany and/or France.
- Alternative recourse to the French or German alliances, depending on the specific issue.
- National interests are more openly formulated, thus abandoning the previous more cautious approach that respected a formal 'pro-integrationist' attitude in negotiations.⁹⁷
- Spanish European policy is becoming more reactive than anticipatory, even defensive in institutional-related issues.
- Increasing pragmatism in attaining negotiation goals and coalition formation.
- Adoption of not so 'integrationist' proposals for fear of future impositions by means of qualified majority voting (e.g. environment, Structural Funds etc.).
- Readiness to face isolation on more 'ideological' issues.

These in any case amount to true differences in style, but are not so relevant in substance.

With respect to the formation of coalition patterns, Spain remains closely linked to the alliance with Germany, considered a traditional trustworthy partner, and France, with whom the relationship has tended to be more irregular, especially with regard to CFSP issues (the Mediterranean and MERCOSUR). Both 'large' member states are basic allies in terms of home and judicial affairs. Despite the efforts to approach the British delegation further in recent years and the good working atmosphere between political leaders, the United Kingdom has not yet become a reliable partner for lack of real common interests.⁹⁸ In the case of Italy, although sharing some evident common interests and relying on each other's support for specific issues, both member states still envisage themselves with mutual suspicion as likely rivals (EMU and agriculture, for example). Spain

95) VV.AA, *España y la negociación del Tratado de Amsterdam*, p. 50.

96) VV.AA, *España y la negociación del Tratado de Amsterdam*, p. 52.

97) Barbé, 'De la ingenuidad al pragmatismo'; Barbé, *La política europea de España*, p. 139.

98) Barbé, *La política europea de España*, p. 145.

remains – although not to the previous extent – a loyal ally of the European Commission in its leading role *vis-à-vis* smaller member states; but this is not so much the case for support of the negotiating demands of the European Parliament. Spain is increasingly finding it more difficult to lead negotiation coalitions, which tends to be a general trend of the European negotiating arena, except for very specific issues (such as justice and home affairs, outermost and island regions, etc.).

Spanish policy-makers clearly drew lessons from the Maastricht negotiations and its controversial process of ratification within the member states, which were applied in the 1996 IGC negotiations, in so far as they actively tried to avoid the interrelation between the EMU process and the IGC, the adoption of various ‘regressive proposals’ and the systematic use of country exemptions during the negotiations, as well as they were aware of the need to defend certain national interests to the required extent in order to facilitate their later ratification and acceptance by Spanish public opinion.⁹⁹ Taking into account the applicability of the notion of ‘permissive consensus’ to the Spanish case, the high degree of technicality in the public debates tends to be used by the political elites to divert attention from the substantive contents of the process. At the same time, policy-makers are aware of the need to exploit certain specific ‘close-to-the-citizen’ issues in order to justify the success of the Spanish negotiators for ‘internal political consumption’ purposes.

Spain has been particularly keen to play a leading role in the fields of home and judicial affairs, favouring all advances and proposing new initiatives in a systematic way. This has to be interpreted in terms of the relevance of such issues in domestic politics and its impact within Spanish public opinion. Spain is particularly reluctant about major changes in issues related to the principle of ‘flexibility’ for historic fears of losing the first-track group of member states in the integration process,¹⁰⁰ as well as with the transfer of certain policy areas to qualified majority voting. The defence of Spain’s beneficial budgetary situation (Structural Funds, Cohesion Fund, agricultural and fisheries subsidies) and its peculiar representation within the EU institutional structure remain the key guidelines of any future Spanish negotiating strategy.¹⁰¹ Their relevance *vis-à-vis* the negotiations ahead (the IGC for institutional reform and enlargement to the central and east European countries) seems obvious.

The increasing protagonism acquired by the Spanish Permanent Representative to the EU, Elorza, together with the further involvement of the President’s Cabinet in the negotiations, are signs of a more personalized and high politics negotiating strategy and have led to some adaptations in the internal policy-coordination system (for example, a decrease in the role of the Ministry of Foreign Affairs). Aznar has managed to differentiate himself – although not

99) VV.AA, *España y la negociación del Tratado de Amsterdam*, p. 56.; Barbé, *La política europea de España*, p. 118.

100) VV.AA, *España y la negociación del Tratado de Amsterdam*, p. 349.

101) Barbé, *La política europea de España*, p. 176.

substantially – from the tactics and style of the González era,¹⁰² which had a deep impression on Spanish public opinion and the national public administration.

Also, and for the first time, the Spanish *Cortes* (Congress and Senate) have assumed a pre-eminent role in the definition of the Spanish negotiating positions in an IGC, which has to be explained in terms of increased democratic control of EU policy and the search for greater legitimacy by the government *vis-à-vis* increasingly harder negotiations at the EU level.¹⁰³ However, such parliamentary control has been practically absent during the ratification process. One of the main EU-related problems yet to be solved within the Spanish politico-administrative system is the enactment of an effective coordination and representation institutional mechanism for the interests and positions of the autonomous communities.¹⁰⁴ Taking into account the relevance and protagonism of the ‘nationalist’ regional parties in the Spanish political arena – much reduced after the results of the 2000 general elections which granted President Aznar an unexpected absolute majority in both legislative chambers – this issue systematically tends to centre any public debate related to European integration in a somewhat sterile way.

In general terms, it could be stated that Spain’s negotiating positions remain stuck between two contradictory fears: the fear of being excluded from the leading group of ‘large’ member states and the fear of being overridden by them in support of common initiatives. Spain has to be ready – and that is not yet the case in political and economic terms – to pay the price for being treated as a real ‘large’ member state. The first instalment of such a price is the abandonment of the Gonzalez doctrine of the ‘politically large/economically weak’ partner.

102) Barbé, *La política europea de España*, p. 125.

103) VV.AA, *España y la negociación del Tratado de Amsterdam*, p. 57.

104) Genieys, ‘Autonomous Communities and the State in Spain’.

7 Inside and Outside Nordic Cooperation

Gunilla Herolf

Introduction

The Nordic region occupies a large part of European territory but, being on the average sparsely populated, the Nordic countries belong to the category of smaller states. Living on the outskirts of Europe and even bordering on Russia are characteristics that, in the eyes of many, make these countries somewhat different from others: the accession of Sweden and Finland was seen as bringing in new perceptions and to some degree also an element of risk into the European Union.

The region is one of paradoxes. It is a region of strong homogeneity among a population of approximately 24 million persons and, at the same time, one of clear divisions among the countries. The five countries – Denmark, Finland, Iceland, Norway and Sweden – and the three autonomous areas – Greenland and the Faroe Islands (which are part of Denmark) and the Åland Islands (which are part of Finland) – largely have a common history. In addition, even when this has not been the case, their historic experiences have been similar as small or medium-sized countries, without colonies of any significance and without having been subjected to any foreign empire. Moreover, their societies have been similar: the absence of feudalism (except for Denmark until the mid-1800s) created societies in which free farmers had a comparatively important role.¹

Even today culture, language, religion and values unite these countries to a considerable degree. There is no complete consistency, however. The region includes the Inuit population (100,000 people of whom 48,000 live in Greenland) and the Sami population (75,000-100,000 living in the northern part of Norway, Sweden and Finland), which only partly share these common characteristics. Furthermore, only a small part of the population in Finland speaks a Nordic language. During the last few decades, immigration and the acceptance of refugees

1) See K. Wahlbäck, 'The Nordic Region in Twentieth-Century European Politics', in B. Sundelius (ed.), *Foreign Policies of Northern Europe* (Boulder CO: Westview, 1982).

have also had an impact on this homogeneity, especially as regards Sweden. Still, the similarities and the sense of closeness and strong ties connecting these countries dominate. This perception is shared by the population at large, being far from an elite view only.

The picture becomes more complicated when looking at the pattern of institutional affiliation. Among the five countries, three – Denmark, Iceland and Norway – have been members of NATO since the foundation of the organization, while the other two are non-aligned. Three are members of the EU: Denmark since 1973, and Finland and Sweden since 1995. It is easy to comprehend that this variety has had an impact on the relations among the five countries.

Seen altogether this closeness on one level and disparity on another creates a complicated landscape of cooperation within the region as well as in relation to the outside world. The end of the Cold War has also had a considerable impact on the region, again in a variety of ways. The manner in which the Nordic countries, through cooperation among each other, have dealt with their individual and common interests is the subject of this chapter.

Historical Background

Nordic history is largely shared in that several of the countries were once joined in various forms of union. The Kalmar Union, lasting between 1397 and 1523, was the only one that included the whole area. Between the dissolution of the Kalmar Union and the early 1800s the Nordic region can be seen as divided into two: the union between Denmark, Iceland and Norway lasted until 1814, after which only Iceland remained with Denmark; whereas Sweden and Finland constituted one country until 1809. Relations between these two parts were dominated by fierce competition for regional domination. Denmark and Sweden, the two leading powers, were involved in many wars against each other during this period.

The last war between Nordic countries took place in 1814, when Sweden, which had been on the winning side against Napoleon, as part of an agreement among the victors, conquered Norway from Denmark, which had been on the other. Remarkably shortly after this event the cultural elites in Denmark, Norway and Sweden² joined in the movement of Scandinavianism, in which the common culture and historic past of the Nordic countries were seen as ideals. The movement also led to some political aspirations but saw its limits as Sweden-Norway failed to help Denmark with more than a few hundred soldiers as Denmark was attacked by Prussia in 1864. This clear demarcation of how far Nordic solidarity went did not stop cooperation, which continued in the form of a monetary union (lasting between 1875 and 1914) and to some cooperation during the First World War. When Finland became free in 1917 it also became involved in cooperation.

2) Finland at this time was part of Russia and therefore could not participate.

The Second World War became the big watershed in Nordic cooperation. While all four countries initially took a neutral position, their experiences, and therefore the effects on their post-war choices, were quite different. For Finland the result of the Soviet attack in 1939 and the War of Continuation from 1941-1944 was more devastating than for any of the others. It led to loss of territory, considerable war damages to be paid to the Soviet Union and the forced entry into a Friendship, Security and Mutual Assistance Treaty (FSMA) with the Soviet Union, limiting the possibilities to enter some organizations freely. Denmark and Norway had been occupied by Germany, an experience that gave the two countries a lasting realization of the vulnerability of a small country. Sweden, while pressured to give concessions to Germany, was never attacked. In 1948 Sweden, which saw a Nordic military alliance as the best way to meet the new challenges, sought contact with Denmark and Norway. After discussions had been held the proposal ultimately failed, however, and Denmark and Norway in 1949 joined NATO. The primary reason for this failure was that the Norwegians saw it as impossible to defend its vulnerable northern flank without the support of the United States. For Finland there was no choice but to remain non-aligned and non-alignment was also the position finally to be taken by Sweden. Iceland, which had been isolated from Denmark during the Second World War, being occupied first by the United Kingdom and then by the United States, declared itself independent in 1944 and, like Denmark and Norway, joined NATO in 1949.

The combination of NATO members and non-aligned states later became known under the name of Nordic balance. This was not the solution first sought but altogether it was generally considered as a positive one, which gave stability to the area. Finland, non-aligned but with a special relationship to the Soviet Union, bordered primarily a non-aligned country in the west. Norway and Denmark as NATO members later acquired some special restrictions as to nuclear weapons deployment and, in sharp contrast to the situation further south in Europe, the border between NATO and the Soviet Union was limited to a very short one in the far north.

The new situation did, however, lead to limitations on what kinds of cooperation could now be pursued. Nordic cooperation now had to be based on the premise that security was not to be part of it. The Nordic Council was established in 1952 (Finland joining in 1955). This was not made on the basis of an international convention but as parallel decisions in the Nordic parliaments, and cooperation within the Nordic Council is therefore not subject to international law. The Nordic Council is primarily a forum for inter-parliamentary cooperation³ whereas the Nordic Council of Ministers (established in 1971) is an organization for intergovernmental cooperation. Typical for both is that they are fora of recommendation, not legislation. These recommendations have led to a long range of agreements. Among the primary achievements during the period until 1989 are the establishment of a passport union, a common labour/employment market,

3) While members of government may be present, they are not allowed to vote. This rule has been taken in order to guard the non-binding character of the cooperation.

welfare agreements, communal voting rights and eligibility and a Nordic-language convention.

Above all, however, Nordic cooperation has taken place outside the institutional framework described. Informal contacts have been maintained within the administrations of the Nordic countries and ideas have therefore spread quickly from one country to another. Parallel lawmaking has taken place as a result of an interplay among government actors and the common Nordic institutions. Contacts among some important professional groups in the Nordic countries have been close for more than a century. A very large number of organizations in the Nordic countries maintain close cooperation with their counterparts in the other Nordic states. Generally this is a type of cooperation that is generally described as driven from below.⁴

Why Not More?

As seen above, wartime experiences and – in the case of Finland – necessities formed a pattern of variety in institutional affiliation. Nordic cooperation weighed heavily, but security aspects were even more important. While the question could be raised of whether more could have been achieved in areas unrelated to security, there were several factors that pointed in the other direction.

A crucial factor was that there was little to gain within the field of economy. The Nordic area, even if united, was still too small to have any leverage. EFTA, when including Britain, was of acceptable size (even though for all countries the ideal was to unite the EEC and EFTA into a large free-trade area). Norway and Denmark therefore applied for membership of the EEC together with the United Kingdom both in 1961 and 1967, whereas Sweden, on the first occasion seeing the political elements of this organization as non-compatible with membership, sought association and on the second occasion handed in an open application in order to find out whether this was deemed as compatible with non-alignment. For Finland, both association and membership were impossible.

Nordek, the plan for a Nordic free-trade zone, was under negotiation for a few years in the late 1960s. This was, however, only a second-best option for Denmark and Norway, and was pursued during the period when France blocked EEC negotiations. The particular event that finished the Nordek project was, however, when Finland had to withdraw after having received negative reactions from the Soviet Union.

Another factor was that Nordic cooperation was not driven by any necessity, unlike the Franco-German one. There was no need for reconciliation or stabilization since the countries were already close to each other, the time when they had been at war being more than a century before. This was already what

4) See J. Vibe, 'Norden: et samarbeide nedenfra?' in I. Neumann (ed.), *Hva skjedde med Norden: Fra selvbevissthet til rådvillhet* (Oslo: Cappelen/Europaprogrammet, 1992), pp. 68-76.

Deutsch has called a pluralistic security community, in which, in spite of the legal independence of separate governments, there is a real assurance that problems would be settled peacefully.⁵

A third factor was that these countries did not only have a strong Nordic but also a strong national identity. Therefore there was a reluctance to give away sovereignty. While this was a likely sentiment within the two new countries, Norway and Finland, it was true for Denmark and Sweden as well.

For the reasons enumerated above, the measures taken were according to perceived particular needs rather than aimed at increasing cooperation itself. This situation led to the type of agreements described earlier in which the purpose was often of a practical type. They can also be seen as driven by a demand from below, giving people extended possibilities to travel, work and live within the whole Nordic area.

After the Fall of the Wall

The end of the Cold War affected all the Nordic countries. Denmark, Iceland and Norway as NATO members were now faced with a sharply reduced and completely different threat than previously. For Finland and Sweden there was a change in threat as well, but there was also an increased freedom to pursue certain policies as a consequence of the demise of the former Soviet Union.

Both Finland and Sweden undertook changes in their non-alignment policies in the direction of making themselves less predictably neutral in case of war. In the Finnish case it was a major change, in that the FSMA Treaty could now be abolished. Finland was thereby relieved of the impediments for a European policy. For Sweden, while less dramatic, the new phrase outlining its non-alignment policy did not like the old one describe neutrality in war as the policy aimed at, but rather as an option among others. Both countries could now freely enter cooperation with military organizations within the areas unrelated to common defence obligations, since there was for neither a need to pursue a policy of credibility about neutrality in case of war. Such credibility was from now on a domestic issue only.

Another consequence was that for the two non-aligned states – Finland and Sweden – it was now possible to join the (then) European Community. There were some differences between the two: in the case of Finland added security, in terms of increasing the safety of its own territory, was a strong factor; whereas in the case of Sweden the economic factors played a major role. For the Swedish government and the Swedish public the interests of Swedish multinational companies, which were strongly in favour of EU membership, was a crucial aspect of this. (Security aspects also existed in Sweden but were not particularly related to a perceived need for protection but rather to a wish to act together with others in integrating the eastern part of Europe). For both Finland and Sweden, however, the effect was that

5) K.W. Deutsch *et al.*, *Political Community and the North Atlantic Area* (Princeton NJ: Princeton University Press, 1957), pp. 5-9.

their interest in EU matters dominated at the expense of traditional Nordic cooperation.

A most important consequence for all the Nordic countries was that the borderline in the Baltic Sea disappeared. Contacts with the Baltic region, which had previously been very close with parts of this region having once belonged to Sweden and Denmark, could now be re-established. The result was that the traditional Nordic cooperation, encompassing five countries only, was immediately overshadowed by the Baltic Sea cooperation. This was where the immediate problems were seen to exist, which in many ways concerned the Nordic region as well.

There were also some consequences for the Nordic cooperation within the circle of only five countries. This cooperation could now, for the first time since the Second World War, include discussions and activities related to foreign policy, security and defence.

The New Nordic Diversity of Roles

The fall of the Wall gave all the Nordic countries several new roles. First, for all of them the role of supporting the Baltic countries became a prominent one. This started already in 1989, as Estonia, Latvia and Lithuania still constituted part of the Soviet Union. Ten years later several stages had been passed, with emphasis on different areas, in accordance with the development that has taken place in these countries. With accession into the EU, Sweden and Finland have assumed the new roles of EU members.

Finally, the transformation of NATO has given a third new role for Finland and Sweden. Also for the NATO members of Iceland, Denmark and Norway, cooperation within the PfP and the EAPC is of a character previously unknown within the organization.

The previously described heterogeneity in terms of institutional affiliation is, however, still prevalent. Norway remains outside the EU, whereas Finland and Sweden as yet have no plans for joining NATO, even though this is not excluded by any of them. In a number of articles, often jointly authored, Finnish and Swedish Foreign and Defence Ministers have declared that non-alignment for these two countries is a means yet not an end. However, they do say that non-alignment is the policy that at the moment serves stability in the region better than any other policy.

This diversity has meant that there is (with the exception of the EAPC and the PfP) no example of all-Nordic membership within the EU or NATO. With the exception of these two bodies no united Nordic approach including all Nordic countries can be created within these organizations and Nordic interests are therefore mainly furthered by informal cooperation, linked to the EU and NATO in a variety of ways.

Four concentric circles of Nordic cooperation can now be envisaged. Three of these are included in the agenda of the Nordic Council and the Nordic Council

of Ministers, which have undergone increased internationalization. The first one is the Nordic circle. In addition, there is what is called the adjacent areas, and which will here be called the Baltic Sea region. This includes Estonia, Latvia, Lithuania, north-west Russia, Kaliningrad and the Arctic region. The third one is the European one. In addition there is also Nordic cooperation on the global level.

When studying these four circles it becomes apparent that the involvement of organizations forms a complicated pattern, with many of them being involved on several levels. There are, furthermore, also links between these levels in terms of the way in which cooperation within one region has a specific role to fill within the other ones.

The New Nordic Cooperation

Within the first circle of cooperation, including the five Nordic countries only, the traditional areas of Nordic cooperation still dominate. Thus, in addition to the new area of security, the familiar issues related to health, social questions, environmental protection, energy, education, culture and so on continue to be pursued.

A new area for Nordic cooperation is that of the field of security and defence. One example of this concerns the efforts within the area of procurement. A common procurement of helicopters is one of the issues that have been in focus. Primarily, however, this cooperation is centred on enhancing peace-keeping capabilities. Previous coordinating structures were replaced in 1998 as the Nordic Coordinated Arrangement for Military Peace Support (NORDCAPS) was established. NORDCAPS is aimed at improving the capability of the Nordic countries to act jointly in peace-keeping activities. It is operated through a number of subsidiary working groups as well as a steering group, which reports to the Nordic defence ministers.

In 1998 the decision was taken to establish a Nordic peace-keeping brigade. The brigade will also when suitable include other forces (such as in the case of the Nordpol brigade in Bosnia, in which Polish forces also took part). A force register has been established in order to select the units appropriate for the specific missions. Specific attention is to be given to requirements needed for peace enforcement operations. At a meeting in April 2000 of the Nordic Defence Ministers the previous decisions were followed up by a decision on a permanent preparatory body to be set up, to which each country will contribute one or two officers.⁶

Since 1997 the Nordic countries have been conducting the joint 'Nordic Peace' exercise within the Partnership for Peace framework. The purpose behind these exercises is also to improve the capability of the Nordic countries to perform tasks together.

6) See homepage of the Norwegian Ministry of Defence, <http://odin.dep.no/fd/publ/fd-aktuelt/0999e.html>; and *Svenska Dagbladet*.

There are furthermore a number of other joint projects: the coordination of work within the field of mine clearance is one of these; another is the efforts pursued with an aim to coordinating work on environmental defence cooperation. Some other countries, including the United States, are also involved in this work.⁷

Cooperation in the Baltic Sea Region

Cooperation as pursued by the Nordic countries within the Baltic Sea region is partly an institutional outgrowth of the Nordic cooperation as it has existed for a long time. The Nordic Council and the Nordic Council of Ministers have come to include the three Baltic states through the 5+3 formula. Regular meetings take place between Prime Ministers, Foreign Ministers, Defence Ministers and Cooperation Ministers and the Baltic countries themselves have set up an institution similar to the Nordic one, the Baltic Council of Ministers.

In addition, several new organizations have been created: the Council of Baltic Sea States (CBSS), which aims to further democratic and economic development in the area, was established in 1992. The Barents Euro-Arctic Council (BEAC), formed in 1993, deals with common problems such as trade barriers, environmental problems, and problems related to waste and safety as regards the nuclear power stations on the Kola Peninsula. The Arctic Council, engaged in environmental cooperation, was established in 1993.

There is, however, no clear demarcation line to the rest of the world in any of these organizations. The CBSS, which includes the littoral states of the Baltic Sea (plus Norway and Iceland), also has the EU Commission as a member. The BEAC comprises not only the Foreign Ministers of the five Nordic countries and the Russian Federation but also a representative of the EU Commission, whereas representatives for other countries participate as observers. The Arctic Council, finally, also includes Canada, Denmark, Finland, Iceland, Norway, Sweden, Russia and the United States.

The Nordic Baltic Sea cooperation is related to European cooperation and to organizations such as the EU, NATO and the OSCE in many other ways as well. The EU is a strong integrating force in the region through its enlargement process, which has been strongly supported by the Nordic countries. The Danish and Swedish activities aimed at supporting early negotiations, including not only Estonia but also Latvia and Lithuania, were finally successful as these two countries started their negotiations in early 2000.

Nordic support to Baltic membership of the EU is also given through a range of programmes aimed at assisting them in their general adaptation to EU regulations and norms as well as knowledge. An action plan of 1997 aims at support under the third pillar – Justice and Home Affairs – and seeks to strengthen the judicial system further, to step up the fight against organized crime, smuggling

7) 'Regeringens skrivelse 1998/99', *Nordiskt samarbete 1998*, Stockholm, 4 March 1999, p. 67.

and drug-trafficking, and to strengthen border controls further. The Baltic Investment Programme (BIP) is a Nordic project run in cooperation with the European Bank for Reconstruction and Development (EBRD). The aim of the BIP is to promote the establishment of small and medium-sized enterprises in the Baltic region. Support is also given through the EU cooperation programmes, Phare, Tacis, Interreg and the European Investment Bank (EIB).⁸

The Baltic Sea cooperation includes not only the Baltic states but also Poland and the north-western part of Russia as well as Kaliningrad. Poland has been one of the countries to receive considerable support from the Nordic countries. It is furthermore part of the Danish-German-Polish trilateral cooperation, in which preparing for Poland's accession to NATO has been an objective.⁹

While Russia has little prospect of entering the EU, much Nordic effort has been devoted to facilitating a rapprochement between Russia and European organizations. The Finnish proposal for a Northern Dimension within the EU is one example of this, and the Swedish aim is to continue to give impetus to this process during its EU presidency. Generally the Nordic countries aim to raise awareness within the EU of the need to give increased attention to Russia.

Within the area of security a number of initiatives have been taken by the Nordic countries in cooperation with some other states. A naval unit for peace-promotion duties (BALTRON), a defence college (BALTDEFCOL) in Tartu and an air surveillance network (BALTNET) have all been established as joint Baltic units. The Nordic countries have furthermore sought to create increased integration in the defence area through the Baltic Peace-keeping Battalion (BALTBAT), and part of this battalion has served with the Nordic-Polish brigade in Bosnia. Considering the fact that the number of projects and donors have increased, it has been considered necessary to coordinate the support given. Such coordination, as well as discussions on the long-term development of Baltic defence, are carried out in the Baltic Security Assistance Group (BALTSEA), including the Baltic countries and all the donors.¹⁰

NATO is an important organization for the Nordic countries in their efforts to create stability in the Baltic Sea region. The Partnership for Peace exercises in the area have served as a useful means for them to seek increased cooperation among all the countries. Not least important is to achieve Russian involvement.

8) See 'Swedish Support to the European Integration of Northern Europe', http://www.ud.se/english/policy/factshts/98_no1.htm.

9) See homepage of the Danish Ministry of Defence, http://www.fmn.dk/udlandet/ostsam_en.htm.

10) The agreements on BALTRON, BALTNET and BALTBAT were signed also by France, Germany, the Netherlands and the UK. The agreement on BALTDEFCOL, apart from the Nordic and Baltic countries, included France, Germany, Poland, Switzerland, the UK and the US.

The Character of Nordic Cooperation towards the Baltic Sea Region

While the survey given above is related to the institutional involvement in cooperation, the Baltic Sea cooperation is generally not primarily an institutionalized cooperation. To a large extent it is bilateral, carried out between one Nordic country and a Baltic country. There is a difference between the countries: whereas, for example, Sweden has contributed quite evenly among the Baltic countries, Finland has given a strong priority to Estonia. In addition to governments, much cooperation takes place on the regional and the local levels. The twinning of municipalities is a particularly successful example of low-level cooperation. Furthermore, there is also much involvement by private companies and by non-governmental organizations (NGOs).

Cooperation in the region as pursued by the Nordic countries is generally strongly characterized by a bottom-up approach, in which not governments but actors on a lower level have been dominant. The fact that the Nordic countries are similar in size has also led to a situation in which there is no leader, but rather one of competition as regards who is doing more than the other.

While security is a main concern behind Baltic Sea cooperation as carried out by the Nordic countries, the various initiatives and projects have above all focused on civilian means. The fact that there are no acute threats in the area has permitted the Nordic countries, as well as others involved, to pursue a kind of cooperation that primarily centres on sustainable economic development, environmental aid, and the creation of new social structures.¹¹

Cooperation within the European Region

Connections to the EU

Generally, with the entry of first Denmark and then Finland and Sweden to the European Union, the scope for Nordic cooperation has diminished. There is, however, a determined effort to maintain as much as possible of it in order not to lose what has been gained in intra-Nordic coordination over the years. There is furthermore a wish to acquire increased leverage for the common Nordic views.

One type of effort is to connect Norway and Iceland in various ways to the work that is pursued within the EU. To the extent that this is possible the two

11) To give an example, during 1989 and 1997 Swedish aid to central and eastern Europe was distributed as follows: promoting common security (8%), deepening the culture of democracy (12%), supporting socially sustainable economic transition (57%), and supporting an environmentally sustainable development (23%). See Elisabeth Hedborg in cooperation with the Central and Eastern Europe Department of the Swedish Ministry for Foreign Affairs and the Ministry for Industry and Trade, *A Good Neighbourhood: Sweden's Cooperation with Central and Eastern Europe*, Regeringskansliet, UD Info, May 1998.

countries receive advance notice of EU initiatives in order to make it possible for them to associate themselves with them.

The European Economic Area (EEA, in force since January 1994) has led to a level of coordination of the Nordic states that is higher than what Nordic cooperation has managed to achieve. Through this agreement all the Nordic states have acquired a close relation to the EU, which in its turn has led to a range of common interests for the Nordic states to preserve within this organization. EU/EEA issues are therefore now a standing point on the agenda of the Nordic ministerial meetings. Furthermore, there are Nordic talks held ahead of EU ministerial meetings concerning those areas in which there are specific Nordic viewpoints, such as environment, labour market, and energy.

A very important issue for the Nordic countries was the incorporation of the Schengen agreement into the EU *acquis*. The Nordic passport union, which had existed since the 1950s, was thereby in danger of disappearing. The agreement taken, however, was that Norway and Iceland could enter the Schengen agreement and the passport union was thereby retained.

In the area of security Finland and Sweden, due to their non-alignment status, have common interests. By pursuing them together the possibility of gaining acceptance by others is deemed as higher. The initiative to make the Petersberg missions, then part of the WEU, into EU membership tasks was in their interest, since they were now able to take part in decision-making in the area of crisis management and were also allowed to participate themselves. Crisis management is highly important for all Nordic countries since it is an area in which they have long been very active and for Sweden and Finland the fact that they were not members of the WEU was an impediment. It was at the same time important for them that the line to common defence was sharp, in order not to be able to prove to sceptics that this bore no relation to alliance membership.

Cooperation within NATO

Since NATO is an organization that in vital respects differs from the EU, it is natural to see a different type of Nordic cooperation connected to it. First, the pattern here is different, with Finland and Sweden now being the outsiders. This is not collective defence, however. In crisis management, all tasks are undertaken on a voluntary basis and the level of activity might therefore be just as high among those that are non-aligned as among the others. Sweden and Finland feel very much part of what is now the most vital NATO cooperation and thereby not different from Denmark or Norway (Iceland lacking military forces cannot be part of this.) Typical for all the Nordic countries is also that they are strong supporters of a NATO role for the task of crisis management.

Nordic cooperation has taken place within the framework of NATO cooperation. As mentioned above, Norwegian, Danish, Finnish and Swedish forces, together with Polish ones, formed the Nordpol brigade in Bosnia. The four

Nordic countries previously formed the UN preventive deployment force UN-PREDEP in Macedonia until the UN mandate for this operation was withdrawn.

The OSCE

The OSCE is an example of an organization in which, as a contrast, all the Nordic countries are full members. It is also one in which the Nordic interest has traditionally been strong and for the non-aligned ones even more important than for the others at a time when they were not members of either the EU or NATO. The OSCE is a forum in which the Nordic countries have close cooperation, which on occasion may also serve as a useful link. An example of this is the way in which the OSCE served as a connection between Norway and Iceland and discussions within the EU. This was not least important during 1999 as Norway had the presidency of the OSCE.

The Global Level

United Nations

The Nordic countries have traditionally maintained close cooperation within the framework of the United Nations. This cooperation also continued after Swedish and Finnish accession to the EU to the extent that EU coordination does not prevent it. When the EU has formed a joint opinion on an issue, the three EU members seek to give Norway and Iceland the opportunity to consider and – if they so wish – support it. When there is no EU position there is scope for a Nordic one.

The Nordic rotation principle on issues of candidacy and support of Nordic candidates are, for example, maintained. There is a Nordic proposal for a change in the composition of the Security Council and there are also other issues in which the Nordic countries have a joint approach. They deal with reform of the UN and, among other things, concern financial matters. There is, furthermore, extensive Nordic cooperation dealing with the United Nations' development activities (UNDP).

Human rights initiatives are also part of the Nordic cooperation to the extent that there is no common EU position. It is seen that the Nordic views may now, with Finland and Sweden as EU members, have a greater chance of influencing EU views.

As Sweden and Finland joined the EU there were fears in the Nordic countries that this would lead to lessened cohesion among the Nordic countries within the United Nations. When looking at voting patterns a different pattern than the expected one emerges. Already during the period from 1993-1995 there was according to the figures a smaller divergence between the Nordic states and the EU average voting than between the French and British voting, on the one side, and the EU average, on the other. The EU states in general have a very homogenous

voting pattern, and the differences are explained by one issue (which is nuclear weapons). The Nordic states are also homogeneous and in addition very close to the EU average in their voting behaviour.¹²

Generally: The Institutional Angle

This survey of the various circles or levels of Nordic cooperation demonstrate the varied nature of this cooperation. In addition, if this picture were to be complemented by a survey of the cooperation patterns of each of the Nordic countries it would demonstrate an additional complexity, since these countries have close relations to a number of countries and regions outside the Nordic area.

A particularly important relationship among all the European states is towards the EU and NATO. Among the Nordic countries, as previously mentioned, there is a strong endorsement of a continued role for NATO. While this might seem natural for a NATO state like Denmark, it certainly applies for Finland and Sweden too. A number of joint Finnish-Swedish articles have underlined the necessity for increased capability for the EU, but also the need for not unnecessarily duplicating NATO.

While the aim of not unnecessarily duplicating NATO is one upon which all EU countries agree, there might be less unanimity around the implementation of the programmes when they are about to start. While some would centre their expectations on interoperability issues, others are more likely to prefer that the EU deals with issues of high visibility in order to demonstrate that this is a real programme. Generally all three Nordic EU countries are more inclined to see the European build-up in crisis management capabilities more as creating needed military capabilities than as a way to shape a stronger Europe *vis-à-vis* the US.

Russia is at least partly the explanation for this. There is a strong interest among all the Nordic countries for stabilizing the area. In doing this NATO, and above all the United States, are necessary partners. Nordic statements frequently refer to the need for continuing NATO and American involvement in the Nordic area. The particular role of the United States is seen in the US-Baltic Charter of January 1998, in which the United States, at a time when NATO had no possibility of accepting the Baltic states as members, gave them certain assurances. While not including military guarantees, these assurances went so far as to forward a strong message to all that the Baltic states were firmly secured within the Western security sphere.

There is in this also an issue of whether Finland and Sweden should join NATO and thus contribute to making the institutional affiliations among the Nordic countries and generally in Europe less complicated. The two governments on their part have in a number of joint Finnish-Swedish articles claimed that at this time non-alignment serves the stability of the region better than any other policy. There is, however, an intense debate in Sweden on this in which other aspects also

12) L. Wiklund, *Statsvetenskaplig Tidskrift*, 1998, vol. 101, no. 2, p. 201.

have an impact: the need to demonstrate loyalty towards other Western states, the Swedish cut-downs in military strength, and so on.

There is a clear geographical aspect in the way in which the Nordic states – and in particular the two non-aligned ones – are related to the EU and to NATO. Looking at the two particular areas in which the Nordic countries are involved – the Baltic Sea and the Balkans – two very different pictures appear. In the Baltic Sea region cooperation there is, as described above, a Nordic-type cooperation in which the organizational role is less dominating, the EU, NATO and the United States being crucial but each serving as complementary pieces in a big jigsaw puzzle of organizations and other bi- and multilateral initiatives and groups of various types. There is in this little difference between NATO and non-NATO countries, in spite of the fact that the cooperation ultimately aims at increased security. There is not any regional closure either, since organizations on all levels are involved.

In the Balkans the situation is entirely different: all countries are serving under NATO under strict military procedures. Here, NATO membership means something and for the non-aligned Finland and Sweden, in spite of the Washington agreement on a Joint Military Framework, there is a problem since they do not have access to secret papers. This means that they get involved at a later stage than others in operations in which they participate. This is also a complicated situation for NATO to handle, since it has to separate access to papers while still having responsibility for the efficiency of the operation.

The Premises of Future Nordic Cooperation

The Nordic countries are all small and not those that primarily determine the events in Europe. Their choices of security affiliation have therefore been made as a reaction to events over which they have had little control. The Nordic balance, as described above, has lost its significance, but the choices that were once made within security still remain. Thus, the considerable changes that have taken place in the declared policies and activities of the non-aligned states, Finland and Sweden, have stopped at Article 5, the alliance obligations of NATO and the WEU.

While this is the situation ten years after the fall of the Berlin Wall, it is also a situation that is continually moving. Finnish and Swedish non-alignment has been and is in a process of change in the formulations used as well as in regard to the policies pursued. In addition, the relationship between this policy, described by the two countries as a means rather than an end, and the situation in Russia is strong. For the two governments the perceived effects on stability in their own region will therefore be the primary factor when considering NATO membership. Moreover, in democratic countries a change of such importance can hardly be undertaken without massive support from the population, something that does not yet exist in either Finland or Sweden. It is therefore hard to foresee when and if such a move will be made.

As regards the other area of heterogeneity, membership of the EU, the same uncertainty applies. While in spring 2000 a majority of Norwegians were positive about joining the organization, the failures of two earlier referenda have made the government cautious.

For a foreseeable future the very varied picture of organizational affiliation among the Nordic countries will therefore remain and will be one of the basic determining factors for the cooperation pattern among them. This conclusion will form a background for the following analysis.

More or Less Nordic Cooperation?

Nordic cooperation, while resting on wide popular support among the populations, is continually driven by this to continue and develop within the areas that it has pursued for many years. This cooperation is furthermore one that is made easy by the familiarity among the countries, their like-mindedness and the considerable similarity of the Scandinavian languages.

Several factors related to the new situation in Europe have given added impetus to Nordic cooperation. The fact that all the Nordic countries see it as their task to support security in the Baltic Sea region has led to increased cooperation among them in order to coordinate this aid.

The way in which cooperation can now take place without consideration for avoiding issues related to security or defence has given added thrust to cooperation also among the Nordic countries themselves. The need for economic gains through common procurement may be satisfied through Nordic efforts in this field. Common Nordic efforts within military crisis management can now be undertaken and further developed without any need for considering the credibility of a non-aligned status.

The increased importance of the European Union has also led to enhanced Nordic cooperation in the sense of enhanced cooperation with Iceland and Norway. These countries are deeply engaged in not being left behind in cooperation. While for Iceland this only concerns the civilian parts of crisis management, for Norway the whole spectrum is relevant.

There are, however, also a number of factors that work in the opposite direction. Within the framework of EU cooperation there is a wish among all the Nordic countries not to be seen as part of a group only, in this case being predictably northern and thus not engaged in other areas. This feeling is strengthened by others not looking favourably on a Nordic caucus within the EU. As expressed by Finnish Prime Minister Lipponen, there is already much informal cooperation among the Nordic countries within the EU. The efforts should not be to make them formal but to convince others that Nordic interests, such as the Northern Dimension, are European interests as well.¹³ From the Swedish side as

13) See Nordic Council session 1999, http://www.norden.org/session99/skan_nyt/main.htm.

well, efforts have been made to cooperate with many countries, depending on the particular issues.

This kind of policy has been strengthened by the need for the new members – Finland and Sweden – to search for a new identity as they entered the EU. For Finland, accession to the EU has been the way to escape finally from the derogatory label ‘Finlandization’. For Sweden there has been a need to find new means and roles as the old role of mediator and bridge-builder between east and west is no longer needed. There is no reason to believe that this sense of need for a European profile will become less important.

The Nordic countries, being all of the same size, will not accept any kind of cooperation among themselves that rests on leadership. This attitude, which can be clearly seen in the Baltic Sea cooperation, also means that on occasion Nordic cooperation has been less structured, which on the other hand has been categorized as a kind of constructive competition.

In conclusion, Nordic cooperation seems to be resting to a large degree on two specific factors. One of them is an underlying cohesion that is unrelated to institutions. The other is the fact that these are likeminded countries with a range of common interests within their own regions, as well as on the European and global levels. For these two reasons there will be continued cooperation between them in spite of the fact that the scope for it within certain areas has diminished and that there is no real need for cooperation as no danger is involved or with a lessened intensity.

Ambitions and Dilemmas of the Northern Countries within the EU

The Nordic countries, while small and thereby not shaping world events, are internationally minded and ambitious. Seeking to win others for what is perceived as Northern values such as egalitarianism, transparency, environmentally high standards and gender equality, they are themselves not always easily convinced of the need to adapt to some concerns of others. The exception here has been the Finnish policy, which on many issues has positioned itself close to the view of the Commission. One example of this is the Finnish participation of the EMU, decided at a time when popular support for this in Finland was well below 50 per cent.

In terms of institutional affiliation the variation, as described earlier is believed to last for some time. Here the interests to adjust to others’ expectations to change clashes with the perceived interests for the stability of the region and strong feelings among the population not to do so. For Finland and Sweden not being members of NATO there exists as mentioned two different NATO relations of vastly different character. In the north NATO is a partner and non-alignment may be seen as an advantage. In the Balkans, however, where Sweden and Finland are cooperating within NATO procedures, non-alignment is a disadvantage since

no access to confidential information can be given. These two have to be weighed against each other. At present as the advantages are seen to lie in the conditions applying within their own region, the choice for the two countries is comparatively simple. A further progress of stability in the north and problems in the south might, however, take place and thereby a decision will have to be taken as to whether the balance has tipped in the direction of a need to consider NATO membership.

A dilemma for Finland and Sweden is thus how to be perceived as loyal when remaining outside NATO. There is a discrepancy in how loyalty is measured between the two Nordic countries, which primarily measure it in terms of activity in crisis prevention and crisis management and see Article 5 as less important for the current conflicts, and a number of other countries, which measure it in terms of membership of NATO.

There is for Norway a similar problem in that it is not member of the EU. Being subject to the same perceptions of others of demonstrating lack of loyalty to European concerns there is little chance for Norway to play an important part within NATO in a number of fields related to NATO-EU cooperation, which are likely to become increasingly important.

The dilemma in terms of the expectations of others being contrary to those of its own population is also relevant for the EMU. Swedish and Danish EMU membership would be a sign to other EU members of increased engagement in the organization. At the same time for these two countries this type of decision cannot be taken unless supported by the majority of the public.

A concern for the whole of EU is the issue of how an enlarged organization will become efficient and still retain its legitimacy. Many of the proposals within the on-going Intergovernmental Conference (IGC) do, however, cause more of a dilemma for the small – and thereby the Northern EU states – than the large ones. This concerns the proposal for a decreased number of commissioners as well as that of the introduction of a new system of voting power. In addition, proposals for increased flexibility, including its introduction into the second pillar, have been put forward. Denmark, Finland and Sweden have all endorsed the use of increased majority voting (in some particular areas) but are negative to the proposal that some countries would have to abstain from appointing a commissioner. On the issue of flexible integration Denmark is negative whereas Finland and Sweden are both endorsing the possibility of doing this. Only Finland can, however, accept this within the second pillar whereas Sweden prefers to retain the present rules of constructive abstention.¹⁴

For Sweden the upcoming presidency gives an opportunity to increase the attention of the EU to issues which Swedes see as the most important ones. Three areas – enlargement, employment and environment, ‘the three e’s’ – have been

14) See N-J Nehring, *The Special Case of Denmark*, in this book, <http://www.um.dk/udenrigspolitik/europa/reformer/forhandlingsgrundlag>, *Hufvudstadsbladet* (Finland), ‘Hårdare positioner inför Nice’, *Regeringskansliet*, (Sweden), *Utrikesdepartementet*, EU-enheten, ‘Promemoria till EU-nämnden om EU:s regeringskonferens om institutionella reformer’.

singled out as the most important ones. The Swedish aim within the area of enlargement is to achieve a breakthrough in negotiations with the candidate countries. The other major task is to carry forward cooperation in the employment area. Thirdly Sweden wants to contribute to the formulation of a strategy for sustainable development in which environmental aspects are highly important. Other important tasks relate to transparency, gender equality, the Northern Dimension and the relations to Russia.¹⁵

There is an awareness in Sweden that there are strong limitations as to the extent of the presidency to control the agenda. The presidency will need to devote much of its time to coordinate positions of others in order to reach agreements and to react to external events. For Sweden, sometimes being perceived by others as a marginal country, due to its non-alignment, and at the same time sometimes as a resource country, in terms of the support it gives to the Baltic area and the relations to Russia, this might be a welcome opportunity to give more emphasis to the latter rather than to the former.

Conclusion

The Nordic approach of seeking acceptance by others in European matters as well as to seek others' endorsement of what they believe to be good policies have been described in this paper as being conducted through a variety of means, ranging between the Nordic and the global levels. It is obvious that in the minds of the Nordic countries these goals have to be pursued, not only through Nordic cooperation but also together with others outside the Nordic group.

It is also obvious that for the Nordic countries there is little focus on any particular organization. These countries have seen it to be a good strategy for enhanced security to conduct a kind of functional approach in which all relevant organizations are involved, each dealing with the areas in which they are best equipped. Cooperation therefore in many ways tends to be of an *ad hoc* character and coalitions are formed according to needs.

Nordic-type cooperation rests more on like-mindedness and common interests and this is a factor that also governs behaviour outside the Nordic-Baltic region. The Netherlands is, for example, a likeminded country in terms of support for Third World aid. Lately the proposals for increased efficiency in Europe based on the core concept has been a factor that has drawn small states in the EU together in their view that this might be detrimental to their participation in European decision-making. For Nordic countries, traditionally intergovernmental, the thought that strong institutions might be the guardian of the rights of the small is a new revelation, not yet shared by all.

15) See draft version of *Programme for Sweden's presidency of the EU Council of Ministers 1 January - 30 June 2001* at <http://www.utrikes.regeringen.se/eu/startsidan.htm>

In the same manner the Nordic view on transparency seems to be gaining adherents within the EU. It seems that EU cooperation has the power to change the views of states, even though this process as always is slower than hoped. 'Nordic' will gradually become less distinguishable and perhaps one day the European identity will turn out to be a reality.

8 The Special Case of Denmark¹⁶

Niels-Jørgen Nehring

On the face of it, Denmark seems to be the ideal EU member state. A sober account shows a small and prosperous homogeneous European state with an open economy, dependent on foreign trade and in the immediate neighbourhood of the mightiest European power, which could otherwise be problematic. In reality, Denmark has no opportunities to influence events unilaterally outside an EU framework.

To a high degree, by acting in the EU, Denmark fits into this picture. Its rate of implementing EU decisions is among the best and so is its obedience of European Court of Justice rulings. The participation of Danish politicians and civil servants is generally recognized for high professional standards. Nevertheless, the image of a member state that does not wholeheartedly play the game, at least when it comes to its political perspectives, prevails.

The opt-outs (on union citizenship, on the third phase of EMU, on communitarization of justice and home affairs and on defence) obtained in 1993 after the rejection of the Maastricht Treaty by a referendum, constitute a clear expression hereof. The same can obviously be said of the euro referendum on 28 September 2000. For the second time, a majority of Danish citizens voted no in an EU referendum.¹

The puzzlement among the EU partners on why exactly Denmark needs a special status only increases when they learn that Denmark has subjected itself strictly to the EMU discipline, complied with legislation within justice and home

16) This chapter draws on a report on Denmark's EU policy and the four opt-outs prepared by The Danish Institute of International Affairs (DUPI) for the Danish Parliament: DUPI, *Udviklingen i EU siden 1992 på de områder, der er omfattet af de danske forbehold* [Developments in the EU since 1992 on the areas covered by the Danish reservations].

1) Denmark's participation in the third phase of EMU was rejected by 53.1% of the Danish public. 49.9% voted yes. The turn-out rate was 87.5%.

affairs and that it is most active in peace-keeping and crisis management, the core tasks of the coming EU defence cooperation.

This chapter tries to explain and to some extent analyse Danish EU strategies with the aim of predicting what kind of a European partner Denmark will become in the future. The first section contains a short chronological overview. In the following section Denmark's explicit EU strategies will be presented, and since the explicitness to a high degree is due to domestic concerns we will have to go behind these strategies and try to place them in the right context. The conclusions, also placing the strategies in a wider perspective of alliance-building in the European Union and relating them to the ongoing discussion on flexibility, will follow in section three.

The History of Denmark and the EC/EU in a Nutshell

Not only geographically did Denmark find itself at the periphery of European integration plans and considerations in the 1950s. A few years before, in 1949, its longstanding tradition of neutrality had been broken by joining NATO. However, widespread popular scepticism remained and led to a cautious policy in the Alliance in the following years. The upcoming European integration process was followed with both interest and some concern. When negotiations on a major European free trade area failed in the late 1950s and the economic cooperation patterns of western Europe split into two – EC and EFTA – Denmark became a member of the latter. This only happened after a difficult internal discussion where serious concern for agricultural exports was confronted with political fears of being involved in a cooperation with pronounced supranational features. Undoubtedly, affiliation with the UK so soon after the Second World War, and for the other Nordic countries, also played a role. However, a policy of keeping all doors open, including the one to the EC, was pursued. Even if the preference was continuously for a broader framework, a Nordic common market was also considered. In sum, the economic split of Europe in these years, coinciding with the transformation of Denmark from a mainly agricultural to an industrial country, formed a threat that called for new thinking.²

In 1961 Denmark applied for membership of the EC, together with the UK. The negotiations lasted until they were blocked by de Gaulle in January 1963. The weaker alternative EFTA, was further weakened when the UK violated the treaty in 1964 by imposing a 15 per cent duty on all imports. This led to a change in the official formula for Denmark's relationship with the EC from 'membership together with the UK' to 'new ways in the market policy'. However, the fact was that the EC had closed its door for new members and only opened it again at the summit meeting in The Hague in December 1969, after de Gaulle had left office. At the same time, another set of Nordic negotiations were about to reach their

2) T. Pedersen, 'Denmark and the European Union', in L. Miles (ed.), *The European Union and the Nordic Countries* (London: Routledge, 1996), pp. 81-101.

peak. This time the ambition was to establish over a very short period of time a Nordic customs union. The extremely difficult negotiations failed, however, due to different aspirations among the Nordic countries *vis-à-vis* the EC. Where especially Denmark was cautious that the Nordic solution should not prevent rapprochement to the EC, Finland had the reverse fear and in the end blocked the deal.

For Denmark the way was now open for membership negotiations with the EC. Much of the work was, practically speaking, already done. The result, backed by a vast majority in the Parliament, was to be confirmed by a referendum in October 1972. However, during the campaign it became clear that a deep popular split on the matter prevailed. Since the issue of European integration had found its way into the public debate in the late 1950s, sceptics had begun to organize various committees that also encompassed members of political parties in disagreement with the leadership. Even if the referendum showed a clear majority in favour of membership – 63 per cent against 37 per cent – there were reasons to be cautious, taking into account the strong Danish tradition of consensus. The popular split did not follow party lines but went through the political parties – only half of Social Democratic voters followed the party line recommended by their chairman, the Prime Minister. Furthermore, the many oversimplified arguments recommending a yes presented from both sides, the government and others, contributed to playing down the political aspects of the EC and issued a number of reassurances on Denmark's future policy that would be hard to live up to.

However, during the 1970s the picture of a pragmatic and functional economic cooperation that had been presented to the Danish electors seemed to be almost correct. The economic crisis and demanding internal negotiations such as the British renegotiation and accession talks with Greece and later Spain and Portugal kept the EC on a low speed. Denmark constructively participated in the cooperation and also benefited substantially from the Common Agricultural Policy (CAP). In the first half of the 1980s, however, and especially after the French U-turn on institutional matters in 1984, the hour of truth for Denmark came.

With the 1985 intergovernmental conference, the non-socialist government, having balanced itself earlier between foreign demands for reform and domestic scepticism during the debate on the Genscher-Colombo plan a couple of years earlier, now found itself in a similar situation. Although the main impact of the Single European Act, the strengthening of the internal market, was beneficial to Denmark, a majority in parliament rejected ratification, and the government only came through after a consultative referendum. This reverse situation, the electors being more forthcoming than their representatives, had long-term repercussions.

In the following years a softening of the policy towards the EC took place among Social Democrats and others, and this readjusting process not surprisingly accelerated after the fall of the Berlin Wall. In autumn 1990 the Danish government, with the consent of the opposition, published a memorandum as a basis for participation in the IGCs leading up to Maastricht. This paper, the most pro-European official document at the time, provided the government with substantial room for manoeuvre at the conferences and led to specific Danish fingerprints in

the final text. More shocking, for the Danish establishment and for the rest of Europe, was the rejection of ratification at the June 1992 referendum. The no, even if it was a small one, 51 per cent against 49 per cent, put Denmark's very membership at stake, since it was only too clear that the other member states could not afford to renegotiate the package.

A solution to this dilemma was found after an exceptional procedure: The Social Democrats, still in opposition, informally negotiated with the leading party that had recommended a 'no' vote, the Socialist People's Party. In this process four areas of concern for those opposed to the EC becoming 'a union' were identified in the draft treaty: Union citizenship; the third phase of EMU; defence cooperation; and 'communitarization' of justice and home affairs. The so-called 'national compromise', which framed the four mentioned areas as opt-outs and labelled it as a long-term strategy for Danish EU policy, was formally approved by the government.³ At the Edinburgh European Council in December 1992 an agreement was found, which together with the rest of the Maastricht treaty was finally approved for ratification by a second Danish referendum in May 1993.

Since the areas covered by the four opt-outs did not imply immediate action, life went on almost as usual. To Danes that were nervous about the prospects of maintaining full membership, it was of some comfort to learn about the likewise tight result in the French referendum in the autumn of 1992. Indeed Denmark had gained time, but time did not stand still. The following period of reform – the gradual implementation of EMU, the transatlantic dialogue on security and defence and the enlargement process – demanded a balance between on the one hand engaging in the dynamic processes and on the other hand respecting the majority of voters who had only approved the Maastricht Treaty after the inclusion of the four opt-outs.⁴ This balancing act became more difficult as time passed. Most of the internal debate from now on, including during the Amsterdam IGC, was on whether the Danish government respected the opt-outs or not.

Nevertheless, in the campaign before the referendum on the Amsterdam Treaty, the Government presented forceful arguments such as employment, consumer policy and environment, all together an attempt to picture the EU as being in conformity with Danish values and not a threat to these values.⁵ The government probably felt that the Swedish and Finnish accession to the EU in 1995 made such arguments more credible. Together the three Nordic member

3) DUPI, *Udviklingen i EU siden 1992 på de områder, der er omfattet af de danske forbehold*, pp. 225-232.

4) N. Petersen, 'In the Strategic Triangle: Denmark and the EU', in R. Bideleux and R. Taylor (eds), *European Integration and Disintegration* (London: Routledge, 1996), pp. 93-111.

5) Compare Niels-Jørgen Nehring, 'The Illusory Quest for Legitimacy', in Hans-Henrik Holm and Georg Sørensen (eds), *And Now What? International Politics After the Cold War* (Aarhus: Politica, 1998), pp. 60-81; and Lykke Friis, 'EU and Legitimacy: The Challenge of Compatibility. A Danish Case Study', *Cooperation and Conflict*, 1999, vol. 34, no. 3, pp. 243-271.

states (with an openly stated responsibility for the transition of the Baltic states to Western structures) strongly pushed the EU enlargement process. Although the Amsterdam referendum on the 28 May 1998 still revealed considerable scepticism (55.1 per cent voted yes; 44.4 per cent were against), the government's strategy was able to carry the day and enabled Denmark to ratify the Treaty of Amsterdam (without similar problems to the Maastricht Treaty).

On 28 September 2000 the government suffered a major blow. After a very emotional campaign, which centred on the ability to maintain the Danish welfare state and the transfer of sovereignty (*'surrendering the krone'*), the government had to acknowledge defeat. As a consequence, the government signalled that it would not push for further referenda on the other opt-outs within the next few years. In that respect, Denmark has cemented its position as a member that does not want to participate in those areas that dominate EU integration at the beginning of the new century (euro, justice and home affairs and defence).⁶ In any case, the euro referendum has driven home the point that after more than 25 years, legitimacy is still a key problem in Danish EU policy. Danish EU strategies cannot be understood without recognizing this fact.⁷

Some Danish EU Strategies and their Background

Within the rather sober and pragmatic political culture of Denmark there is no strong tradition for couching political action in philosophical terms or principles. The area of EC/EU policy, however, is an exception. Ever since accession, government statements and notions passed by the parliament have set up explicit frames for the policy in this area. Most of these policy formulations have served the double purpose of efficiency externally and legitimacy domestically. A clear and coherent policy is often seen as a means whereby smaller states can gain in relative influence *vis-à-vis* the surrounding world. They lose some flexibility and in return obtain better possibilities for being heard. But from a legitimacy point of view the loss of flexibility can even be an advantage. When promising a sceptical public that certain limits of policy action will be respected, the authorities will come to terms more easily with the electors, thus enabling them to run the daily politics inside these frames. Danish procedures for decision-making towards the EU – the prominent position of parliament's European Affairs Committee and the use of referenda – are, especially seen from the outside, regarded as rather rigid and inflexible. But they should be seen in the same light, namely serving the double purpose of external efficiency and domestic legitimacy.

On the basis of the numerous notions passed by the parliament, government memoranda and other official policy formulations on the EC/EU all the way back from Denmark's accession a number of 'EU strategies' can be identified. Four

6) One could use the term 'B membership' to sum up Denmark's position; see DUPI, *Udviklingen i EU siden 1992 på de områder, der er omfattet af de danske forbehold*.

7) Nehring, 'The Illusory Quest for Legitimacy'.

such strategies, which are claimed to have played a particularly prominent role in the debate, are listed below: the intergovernmental strategy; the all-European strategy; the Nordic strategy; and the extension of values strategy. The main purpose of the analysis is to examine to what degree the strategies in question are real strategies, aimed at serving identified interests, or if they primarily have a legitimacy function.

The Intergovernmental Strategy

In the campaign leading up to the 1972 referendum a broad majority of political forces recommending membership played down the supranational features of the EC and emphasized its basic intergovernmental character. The Luxembourg compromise was often referred to as a precondition for Denmark's membership. When the Prime Minister was criticized shortly after the referendum for having signed a declaration on 'European Union' he told the parliament that the word was rather imprecise and mainly served as a frame for what one might agree to fill into it. 'Federal' is another word with a similar negative connotation in a Danish context. Attempts to include the concept of federalism in the Treaty, in Maastricht and in Amsterdam, were strongly resisted, and so far with success.

'Maintaining the institutional balance' was a catchword often found in parliamentary notions in the 1970s and 1980s. The meaning was simple: the Council of Ministers should remain the leading factor in EC decision-making, and the procedures of the Council should not be changed in favour of more majority voting. Attempts to enhance the powers of the Commission and the European Parliament were consequently looked at very negatively. Over time these positions have to some degree been softened and replaced by a more pragmatic attitude. This is especially true for qualified majority voting (QMV) in the Council of Ministers. In the 1985 discussions on the Single European Act, the majority voting in the new article 100(a) was a problem for Denmark, despite the fact that the internal market was an area of priority. Not even the inclusion of the environment clause in art. 100(a, 4) could satisfy the critics. In the run-up to the Maastricht IGC, however, the views had softened, and Denmark even made formal proposals, in the field of environment, on QMV. The simultaneous introduction of the possibility of majority voting in the second pillar was looked upon with some scepticism but it was not seen as decisive. In the Amsterdam discussions, majority voting in the Council as such was no longer a problem. In the run-up to the euro referendum the issue reappeared. Especially the introduction of QMV on social affairs issues at the forthcoming Nice IGC was pictured by the no-camp as nothing less than a threat to the Danish welfare state. In the heated debate on this issue, the Danish government promised that it would block introduction of QMV on this area in Nice.

As for the attitude to the European Parliament, a similar, although less marked, development can be noticed. The introduction of the cooperation procedure in the Single Act was a stumbling block in the Danish debate. The

government's claim that the increase in the European Parliament's power was marginal did not satisfy the critics who claimed that the new procedure indicated an undesired move in the supranational direction. The more far-reaching reforms in this field, agreed upon in Maastricht and Amsterdam, surprisingly enough did not mobilize any comparable debate. Even if there is still only a very limited conviction in Denmark that the EU's 'democratic deficit' can be solved through reforms of the European Parliament, expressions of the European Parliament as a possible ally in matters of concern can now be heard.⁸

However, when it comes to the Commission, little has changed. Contrary to other small member states, there is no fertile soil in Denmark for the image of the Commission as a counterweight to the big member states' influence. The Commission personifies Brussels and hence the distance to decisions. This critical attitude has been rather stable. In many years there was a standing instruction to Danish negotiators that when deciding on comitology the Council-friendly variant should be preferred to the Commission-friendly, even if it was contrary to Danish interests on the substance. In this limited field, however, pragmatism has now been introduced as the guiding principle.

Besides the viewpoints on the relative powers of the individual institutions, as referred to above, the division line between the areas governed by the 'Community method' and by intergovernmentalism continuously plays an important role in the Danish debate. Even if there was a general favourable attitude to European Political Cooperation (EPC) from the beginning, the inclusion of that issue area in the Single Act caused problems because of fear for an eventual 'communitarization' in the Community. Denmark was consequently a strong supporter of the pillar structure of the Maastricht Treaty. It should be noted that one of the four opt-outs, on justice and home affairs, exactly covers the 'communitarization' and not the substance where Denmark has a strong interest in common solutions.

To sum up, despite the euro referendum, the strategy of intergovernmentalism has been eroded in a number of areas. It follows from the examples that it mainly served legitimacy purposes. To the extent that it continues to exist, it is probably less a strategy and more an instinct, deeply rooted in popular conceptions. Hence, Denmark is not really actively looking for Europeans allies to strengthen this strategy.

The All-European Strategy

As mentioned in the brief historical survey, Denmark preferred a broad solution to market discussions in the 1950s. While having one leg in the camp of EFTA and still discussing possible membership of the EC, it was a counter-argument in the internal Danish debate that the latter constituted a closed club of well-to-do

8) The European Parliament was basically absent from the euro campaign.

nations. After accession, this argument was continuously brought forward by those critical towards membership. The official response was to include a call for all-European moves in various policy formulations. 'Openness', in this geographical meaning of the word, was often used in motions that were passed in parliament. Needless to say, the critical edge of the argument gradually lost in relevance, and after 1989-1990 most Danish politicians began to speak about the EU as almost encompassing the all-European vision.

Just as Denmark was a strong proponent of previous enlargements through the 1980s and 1990s, the support even increased for the present major enlargement round. In order to avoid any candidate losing the prospect of membership, Denmark, together with Sweden, with some success fought for the so-called regatta model of opening negotiations with all candidates. Those possibly suspecting Denmark of only having a real interest in the accession of states in their own neighbourhood, should be reminded of its strong support for enlargement to Greece and the Iberian countries. National decision-making then went extremely smoothly, and the financial consequences hardly played a role in the discussions. However, the EFTA enlargement that brought Sweden and Finland into the Union in 1995 and the present endeavours in favour of Baltic membership, of course, correspond with geopolitical priorities. Others may suspect Denmark of seeing enlargements as a means to dilute the cooperation, a suspicion normally directed towards the British. However, if such thinking occurs, it has never come to the surface.

The all-European strategy, although mainly introduced for legitimacy reasons, has been successful in so far as it has been confirmed by development. Even if the original defensive background for the strategy has become irrelevant, it might well serve as an offensive strategy element for a member state that generally, especially after 2000, is bound to be on the defensive.⁹ A possible ally in this respect could be Sweden.

Since further enlargement could lead to more integration (in terms of more supranationalism) this strategy is, however, also a double-edged sword for any government. The 'in-between' solution – a more flexible Europe – where only those willing and able to pursue more integration speed ahead in an enlarged Europe, has never won the support of the Danish government. This is slightly paradoxical when one considers the four opt-outs. The explanation is however very logical: by opening for a flexible Europe, the countries less able to pursue integration (either due to their ability or problems with public opinion) will become marginalized. Needless to say, Denmark's bargaining position after 28 September 2000 is, however, not substantial on this issue. With regard to

9) This is only strengthened by the fact that even a large part of the no-side favours enlargement. How important the enlargement side is for the yes and the no-side is illustrated by the euro campaign. Both camps felt obliged to link the euro referendum to the enlargement issue: *vote Yes in order to secure the Danish voice in the enlargement process; vote No in order to open the door for a more flexible Union, which will make it easier for central and eastern Europe to join.*

enlargement, Denmark's attitude is that flexibility will not solve the enlargement problem; it will only allow the avant-garde to run faster and hence make it even more difficult for the rear guard to catch up.

The Nordic Strategy

Cooperation between the Nordic countries has had its ups and downs, mainly dependent on developments, threats and offers from the surrounding world – in the last decades mainly from the EC/EU. When attempts to conclude a Scandinavian defence pact failed in 1949, and Denmark and Norway entered NATO while Sweden remained neutral, the frustration gave inspiration to a general strengthening of Nordic cooperation in a number of fields: the Nordic Council, a consultative assembly of parliamentarians from the Nordic countries was set up in 1952 – the Finns joined in 1956.¹⁰ The Nordic passport union, a common labour market, a social convention and the establishment of the airline SAS were other examples, from the first half of the 1950s, on the will to cooperate on specific fields. In the second half of the 1950s, plans for a Nordic customs union were examined but finally abandoned because, in the end, at least the three Scandinavian countries at the same time preferred to keep the door open for a wider European solution. In Denmark, this sequence was internally reflected in discussions between the proponents of a 'Nordic first' and a 'Europe first' strategy. Again, this Nordic failure was counterbalanced with a new step forwards: the setting up in 1962 of the Nordic Council of Ministers, a construction not unlike the EC Council of Ministers, but only with consultative tasks. By the end of the 1960s a most ambitious plan for a Nordic common market, NORDEK, was examined, but finally abandoned, because of Finnish fears that it might be a stepping stone to the EC. The failure was received with some relief among those in Denmark most in favour of membership of the EC because it offered a clearer picture. In 1973 Denmark entered the EC, as the only Nordic country. The Norwegians decided by a referendum to remain outside.

From the outset, Denmark realized that it had a 'natural obligation' to act as a bridge-builder between the EC and the other Nordic countries. In the Danish Foreign Ministry, parallel with the establishment of a new and forceful unit called 'the market secretariat', a Nordic liaison office was set up. At the same time Sweden and Norway expanded their embassies in Copenhagen. As to the Danish public debate, the Eurosceptics, with some success, attempted to monopolize the Nordic idea and picture it as an alternative to EC membership. This brought successive Danish governments in the defensive on this issue. At the 1985 IGC the Danish government, after pressure from the opposition, achieved a declaration, stating that inclusion of EPC in a treaty would not prevent Nordic foreign policy

10) J.N. Laursen and B.T. Olesen, 'A Nordic Alternative to Europe?', in *Contemporary European History*, 2000, 9, 1, pp. 59-92.

cooperation. Besides valuable but informal consultations, Nordic foreign policy cooperation had mainly concentrated on defining common positions in the UN. The 'Nordic card' was played again during the debates before the two Maastricht referenda.

Since 1995 there have been three Nordic members of the EU. All three have been eager to convince their European partners that they do not intend to create a Nordic bloc inside the EU. This is probably true. The economic and industrial structures of the three Nordic member states are more different than most outsiders realize. They have common interests but certainly also differing interests. Furthermore, their close cultural ties always offer the opportunity to consult and cooperate informally if they wish to do so. As to their own clubs in the Nordic cooperation network, they again have been adjusted to the European realities. In 1995 the Nordic Council was revamped and a new three pillar structure set up, one of the pillars being devoted to matters concerning relations with the EU. Rather than establishing a forum for policy coordination, this was meant as a concession to the two outsiders, Norway and Iceland.

For Denmark, as for the other Nordic countries, an inherent Nordic inclination exists, albeit more on the sentimental and rhetorical level than when it comes to *realpolitik*. Here the Nordic affiliation was always secondary to orientations towards powers and centres outside the region, although Finland – to whom the Nordic link was a lifeline to the West during the Cold War – made a special case. When meeting international challenges during the Cold War, the different economic structures of the societies and not least the unequal historical experiences, *i.e.* from the Second World War, decided the matter. The end of the Cold War has radically changed the picture but claiming a Nordic 'end of history' would be premature: without remembering that Norway found herself in an unwanted Union until 1905, it is hard to understand the Norwegian position towards the EU today.

In sum, Denmark's Nordic strategy has been a real strategy in so far that the natural preference was to have the Nordic states on the same side of the various division lines in Europe and, to the extent that this was not possible, to soften these dividing lines. Economic realities – Sweden is Denmark's second most important trading partner – and not least the cultural ties between the Nordic countries speak for that attitude. At the same time as any Danish government has pursued *realpolitik*, it also had a 'natural obligation' to explain to electors why Nordic solutions were not possible. This fact has been used with some success by parties and movements opposed to EC/EU membership. Since the accession of Sweden and Finland to the EU, these groups are puzzled when observing Finland's deliberate mainstream policy towards the EU today. Between Denmark's accession in 1973 and the Swedish and Finnish in 1995 the Nordic strategy of successive Danish governments was mainly a defensive strategy aiming at bridging a popular gap of understanding. In this sense, after 1995 the Nordic card lost its colour, which can also be seen from the fact that no one played hard in the euro referendum campaign. It is probably still too early to judge what cooperation patterns will be formed inside the EU among the Nordic member states. At the same time as they

have all been eager to deny any aspirations of making a Nordic bloc, their formal, and not least informal, networks provide them with all the possibilities of coordination that they could think of. So far, however, the main impression is that they have all been concentrating on adapting to the busy European agenda of these years – a major task not least for member states with only a few years of experience. Furthermore, the tone between the Nordic states, inside and outside the Nordic cooperation structures seems to have become more realistic and businesslike now that the need for explaining and excusing has decreased. Still family members, the Nordic countries are also competitors at the greater stage.

The Extension of Values Strategy

In the campaign before the 1972 referendum, economic and social arguments played a prominent role. While toning down the political perspectives of membership, the strong coalition recommending a 'yes' stressed the economic necessity of EC membership. The 'no-side' on the other hand referred to the risk of Danish welfare schemes being harmonized 'downwards to European level'. In the following years the latter argument was continuously brought forward in the public debate to an extent that forced the Danish government to include assurances in official policy formulations that such a risk did not exist, and if so, Denmark would prevent it from happening.

Underneath this discussion on Danish welfare schemes was a widespread opinion that the Danish or Nordic welfare system, mainly tax-funded and with a more generously defined group of recipients, was superior to the continental European, mainly insurance-based system. Deeply rooted in Danish egalitarianism, the system is also well designed for the Nordic family structure with the women to a higher degree engaged in active employment than their continental European sisters. This was at least true until recently, and today we realize a harmonization, mainly driven by equal opportunities and demography.

Other issues on values likewise forcefully entered the stage of Danish EC/EU policy-making, most prominently the environment. The scope of the so-called environment guarantee was a turning point in the Danish internal discussion on ratification of the Single European Act. Apart from the tactical aspects of this discussion, the sequence reflected a popular concern for the environment, which has only grown since then. The introduction in the Maastricht Treaty of QMV in the area of environment was noted as a Danish victory. The introduction in following years of the discussion among member states on ideas and concepts such as nearness (the Danish translation of subsidiarity), openness and transparency was immediately met by official Danish sympathy – and at the same time grasped by the sceptics and used as examples of the EC/EU's imperfect ambition.

In the European discussions on employment, Denmark has traditionally been an active participant – in the last five to six years furthermore being in the fortunate position of having an extraordinary good national record, mainly due to a relatively high labour market flexibility. In times when Danish ministers, due to

the opt-outs, often find themselves on the defensive in Council meetings and elsewhere, the forceful edge of employment policy is a welcome factor of comfort.

Generally in today's debate on the policy towards the EU, values internally regarded as Danish – social egalitarianism, equal opportunities for men and women, concern for the environment and for the consumer, decency in public life, etc. – play a prominent role. While successive Danish governments have pursued a strategy in the EC/EU of forcefully pushing these policy areas, the internal debate has been less clear, since the Eurosceptics rather comfortably could claim that ambitions were too low and that there was an inherent danger of 'downwards harmonization'. However, in the most recent years, most significantly during the Amsterdam debate, the Danish government tried to picture the EU as becoming increasingly in agreement with Danish core values. Once again, however, the euro campaign was a setback here for the government. Many of the 'no parties' and movements were thus highly successful in picturing the euro as a threat to the Danish welfare state.

It will be interesting to see whether the Danish government can relaunch its argumentation after the Amsterdam referendum campaign. If it manages to do so, Germany and Sweden are potential allies.

Conclusion

All four strategies have had a double purpose: external efficiency and internal legitimacy in a proportion that differs from strategy to strategy. The various strategies have led to inflexibility towards the outside and a loss of confidence towards the inside especially as policy formulations have been overtaken by realities. The opt-outs from Edinburgh, although acting as a device that saved Danish EU membership, have contributed to the explanatory gap that now comes back to haunt Danish decision-makers. Some of the strategies have been gradually revised (the intergovernmental strategy) and others been overtaken by the development (the all-European strategy and the Nordic strategy). The extension of the value strategy, on the contrary, presents 'winner issues', such as the environment, employment and good democratic practices. There is reason here to believe that the strategy (despite the setback in September 2000) will have some trenchancy. However, it could prove problematic for conservative voters if these issues are sold domestically as mainly Social Democratic ideas.

With regard to the Nordic strategy, it has to be seen whether this will experience a renaissance due to changed cooperation patterns in the future EU, *i.e.* with regional subgroups in an enlarged Union.

The high proportion of consideration for internal legitimacy in all four strategies makes them difficult to understand for the outside. Some will probably claim that they hardly deserve the name 'strategies', since they do not, or only to a limited extent, aim at serving concrete national interests. Most foreign observers would have expected a small member state like Denmark to follow a Commission-

friendly policy in order to balance the influence of the larger member states. As described, Denmark has pursued quite a different policy on this matter.

At the same time Denmark has refrained from pursuing distinct policy in relation to the larger member states. Even if some irritation was aired over the recurrent French-German initiatives, which often made the usual preparation for EU summits illusory, there was hardly any consequent opposition to such *directoire*-like tendencies. However these tendencies probably contributed to the popular perception that Danish influence in the overall development of the EU is limited.

Likewise, the question of pursuing alliances with one of the larger member states was almost a non-issue in the debate, even if it did happen in specific cases. A likely 'candidate' for an ally could have been the UK with its basic intergovernmental attitude to the cooperation. But the obvious lack of British influence – at least in the Thatcher-Major period – together with some emotional resistance during the Thatcher years, prevented this from happening. Indeed, Denmark's 'logical ally' among the larger member states would be France due to its intergovernmental instincts and comparable substantial interests in the CAP. The major obstacle here is the political style and tradition. The Danish egalitarian policy-making style is very far from French self-perception and political behaviour. French politics are generally not understood in Denmark and that is probably mutual.

That leaves Germany. In the light of history, Germany has not been considered a friend, but on the contrary a threat and occasionally an enemy. However, as far as the latest 50 years are concerned, Germany has proven an excellent neighbour, and no doubt *the* big European country that holds the greatest knowledge and the deepest understanding of Danish affairs. It was no coincidence that Chancellor Kohl at the Edinburgh summit in December 1992 made sure that Denmark obtained its four opt-outs and thus could maintain its EU membership after the Danish referendum on the Maastricht Treaty. Also in everyday politics, for instance on environment issues, Denmark and Germany often see eye-to-eye on issues.

However, Germany is a federal republic and at the same time has a mainly federal view on the development of European cooperation. German visions, expressed in federal terms, as for instance Joschka Fischer's Humboldt speech in May 2000, therefore seemed almost scary to many Danes.¹¹ The fear of the *directoire* that is found in other small member states is thus not articulated very much. When, for instance, the historically based fears of both being squeezed in conflicts and in concert-oriented cooperation among the large European countries are the driving forces for the Benelux countries in the EU project, both scenarios play a relatively unobtrusive role in the Danish political debate.

11) Joschka Fischer, 'From Confederacy to Federation: Thoughts on the Finality of European Integration', speech at the Humboldt University in Berlin, 12 May 2000, http://www.auswaertiges-amt.de/6_archiv/2/r/r000512b.htm.

In connection with the solution of the difficult situation after the Danish 'no' to Maastricht in 1992, Denmark took a certain interest in flexibility (or enhanced cooperation) in the EU. The idea was rather simple. As Denmark needed some kind of a special arrangement as part of its 'no solution', the same had to be the case for other countries, for instance the many countries that would apply for membership in the years to come. Some envisaged a totally different model for European integration – a so-called Europe in many rooms. Eventually, it became clear how serious the doubts connected with the introduction of flexible cooperation were, and thus Denmark itself was quite reluctant during the negotiations on the Amsterdam Treaty.¹² Flexibility was something rather different from what some had believed or had hoped for in 1992. Instead of allowing countries to opt out, flexibility was suddenly conceptualized as an instrument that allowed countries to 'opt ahead'. In other words, it threatened to marginalize Denmark even further. Furthermore, it turned out that all candidate countries preferred full membership and rejected all proposals of second-class or affiliated membership. The discussion in Denmark on flexibility has not developed since the above-mentioned events in 1992. When Denmark has taken a stand officially on such questions, it has always been a very critical one.

A bit self-critically one could say that Danish arguments against flexibility are suffering from the logical weakness that Denmark – due to its four opt-outs – is a pioneer in terms of practising flexibility. Indeed, as pointed out in the already-mentioned report prepared by DUPI for the Danish parliament, before the euro referendum one could go as far as characterizing Denmark as a potential 'B member' of the Union.¹³ After the rejection of the euro (and the indirect message that the four opt-outs were anything but temporary) Denmark is on its way towards crossing the line from potential to actual 'B member'. Since Denmark will not within the coming years participate in crucial areas of the integration process (EMU, core parts of justice and home affairs, and defence) it runs the severe risk of not being listened to when discussions (also on other issues) pick up speed in the EU. As more and more countries join the EU, Denmark's position will, however, become less special. Although applicants will not be offered Danish-like opt-outs, most of them will probably join with such long transition periods that the effect will be more or less the same.

12) Christian Deubner, *Harnessing Differentiation in the EU: Flexibility after Amsterdam* (Ebenhausen: Stiftung für Wissenschaft und Politik, SWP, July 1999).

13) DUPI, *Udviklingen i EU siden 1992 på de områder, der er omfattet af de danske forbehold*.

Since the newcomers are not members that take on all the obligations of membership here and now, they will automatically have less influence on the overall development of the EU. In that respect, EU politics is not so different from any other social club – those who pitch in and take on responsibility will have greater influence than those who do not.

9 Relaunch of the Benelux?

Danielle Bossaert and
Sophie Vanhoonacker

During both the Intergovernmental Conferences (IGCs) leading to the Amsterdam and the Nice Treaties, the Benelux countries put forward joint memoranda outlining their common views with regard to some of the major issues on the agenda.¹ Although these three smaller and founding member states may seem natural allies, a closer look at their positions on key areas reveals that speaking with one voice is not always evident. As a matter of fact, with the exception of the early years of European integration, the three sometimes defended divergent positions on major dossiers and their cooperation was very much taking place on an *ad hoc* basis.

The question arises of how to interpret this renewed attempt at cooperation. Will it be limited to a one-time effort aimed at increasing the impact on the IGCs or is it the start of a more long-term and perhaps more structured cooperation? This chapter starts by placing the current initiatives in a historic perspective and then examines and tries to interpret the recent attempts of the three counties to speak with one voice.

The Benelux and the Early Years of European Integration

For most observers the Benelux is inextricably linked with the process of European integration itself.² Established in 1944 as a customs union between Belgium, the

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- 1) 'Benelux Memorandum on the Intergovernmental Conference', 5 May 1996.
'Benelux Memorandum on the Intergovernmental Conference', 8 December 1999.
'Benelux Memorandum on the IGC and on the Future of the European Union', The Hague, 29 September 2000.
 - 2) On the Benelux and the early years of European integration, see E.S.A. Bloemen, *Het Benelux-effect: België, Nederland en Luxemburg en de Europese integratie, 1945-1957* (Amsterdam: NEHA, 1992).

Netherlands and Luxembourg, it is often seen as a precursor of the European Communities, promoting trade among neighbouring countries by abolishing tariff barriers. Furthermore, it was the Benelux memorandum presented at a meeting of the Foreign Affairs Ministers in Messina in June 1955 that relaunched the debate on European integration. A committee under the chairmanship of the Belgian Minister of Foreign Affairs Paul-Henri Spaak prepared the report that ultimately led to the establishment of the European Economic Community (EEC) and EURATOM. Another well-known event where the Benelux countries and more particularly Belgium and the Netherlands had a major impact on the European debate was in the framework of the Fouchet negotiations on Political Union when they vetoed de Gaulle's proposals to organize political cooperation on a purely intergovernmental basis.

Both episodes in these early years of European integration deserve some closer attention because they give us some concrete indications with regard to the cooperation between the three small founding member states. As a matter of fact, the denomination 'Benelux Memorandum' (1955) is quite misleading. It suggests that the text was the result of a joint effort of the three countries elaborating a common initiative, but reality was quite different.³ Following the crisis provoked by the rejection by the French national assembly of the draft treaty for a European Defence Community (EDC), the Belgian Minister of Foreign Affairs Paul-Henri Spaak and his Dutch counterpart Johan Beyen, each separately had started to draft proposals for a relaunch. Spaak, in close consultation with Monnet, had elaborated proposals around the concept of sectoral integration; Beyen on the other hand favoured the idea of 'general economic integration' and the creation of a common market. Following his famous letter of 4 April 1955 to Spaak in which Beyen explained his ideas, the two combined their respective approaches in a joint proposal for a common market and a new community for civil nuclear power. The Luxembourg Minister of Foreign Affairs Joseph Bech, who was informed afterwards, was initially opposed to Beyen's proposal for an economic community. He feared that its organization on a supranational basis would be detrimental for a small country like Luxembourg, but he was ultimately convinced to join forces.⁴

In the case of the Fouchet proposals there was initially no question of a joint position among the Benelux countries. Although they shared the Dutch concern about the intergovernmental character of de Gaulle's Political Union – first proposed at a press conference on 5 September 1960 – Belgium and Luxembourg were much more positive towards the French proposals than was the Netherlands.

3) François Duchêne, *Jean Monnet: The First Statesman of Interdependence* (New York, London: W.W. Norton, 1994), pp. 262-283.

4) Jan Willem Brouwer and Alfred Pijpers, 'Luxemburg', in Alfred Pijpers (ed.), *Nederland zoekt het tweegesprek: Neobilaterale accenten in de Europese politiek* (The Hague: Netherlands Institute of International Relations 'Clingendael', 1999), p. 105; Gilbert Trausch *et al.*, *Le Luxembourg face à la construction européenne* (Luxembourg: Centre d'études et de recherches européennes Robert Schuman, 1996), pp. 122-123.

From the first meeting onwards the Dutch Minister of Foreign Affairs Joseph Luns made it clear that The Hague would radically oppose a Political Union of which the United Kingdom would be excluded. British participation had to address a double concern: it had to prevent the domination of the Political Union by France and Germany; secondly it would guarantee a close link with the Atlantic Alliance.⁵ Belgium initially took a much more conciliatory stance in the negotiations, but hardened its position when in January 1962 the French presented the so-called Fouchet II proposal which totally ignored their concerns with regard to the relationship of the Political Union with the European Communities and the Atlantic Alliance. When in April 1962, the British themselves asked to be associated with the talks on Political Union, Belgium joined the Dutch in their request for British EC membership as a precondition for the establishment of a Political Union, ultimately leading to a suspension of the negotiations on 17 April 1962.⁶

The two above-mentioned episodes in the early history of European integration provide us with some first interesting insights. Far from being formalized, the cooperation among the Benelux countries seems to have taken place on a loose and an *ad hoc* basis, with the Ministers of Foreign Affairs playing a key role in the coordination of positions. This coordination task sometimes proved rather difficult. In the case of the Fouchet proposals, for example, it was not until the negotiations had been going on for several months that the three finally agree on a memorandum that was to be the basis for their joint position. Even then the three hardly succeeded in hiding their divergences.⁷

In both cases the motivation for their cooperation differs. While for the Benelux Memorandum of 1955, it was in the first place the desire to give a new impetus to the European integration process that spurred a joint initiative, in the case of the Fouchet negotiations it was primarily the fear of domination by the Franco-German axis that made Belgium and the Netherlands join forces. They hoped to prevent such predominance by guaranteeing British membership of the Political Union and by equipping the Union with a supranational and independent body such as the European Commission. The latter was seen as indispensable for the defence of the interests of the smaller member states.

As we know today, European Political Cooperation (EPC) as it gradually took shape from 1970 onwards was ultimately organized on a purely intergovernmental basis and it would still take many years before the European Commission would be fully associated with its work. The reticence of the small member states with regard to intergovernmental bodies would persist. When in the early 1970s France proposed regular meetings of the Heads of State and Government in the

- 5) On the Dutch position towards de Gaulle's proposals for a Political Union, see Hans Nijenhuis, 'De Nederlandse tactiek in de onderhandelingen over een Europese politieke unie (1960-1962): Nee tegen de Gaulle', *Internationale Spectator*, vol. 41, no. 1, January 1987, pp. 41-49.
- 6) Sophie Vanhoonacker, 'La Belgique: Responsable ou bouc émissaire de l'échec des négociations Fouchet?', *Res Publica*, vol. 31, no. 4, 1989, pp. 513-526.
- 7) Vanhoonacker, 'La Belgique', p. 518.

framework of the European Council, it was the Netherlands that insisted that its creation be counterbalanced by the introduction of direct elections for the European Parliament.

In the 1970s and 1980s, the Benelux countries remained active and committed participants in the European integration process through initiatives such as the Werner report on Economic and Monetary Union, the Tindemans report, and the Davignon report on European Political Cooperation. These concern, however, unilateral rather than joint initiatives. Several factors may have played a role. With the realization of the customs union in 1968, one of the central objectives of the Benelux had been attained within the framework of the Six and the dynamism of the earlier years faded away. Furthermore, it has to be said that although the Benelux countries are often mentioned as if they were one block, there are important differences among them. In the political field, for example, the Netherlands took an Atlanticist line, while Belgium and Luxembourg tended to be more supportive of a Europeanist view. In the economic area, The Hague was generally much more liberal than Belgium and Luxembourg. Are the Luxembourg compromise and the accession of the United Kingdom also explanatory factors for the reduced cooperation? One could argue that the smaller countries felt less threatened because London provided the long-awaited counterbalance *vis-à-vis* France and Germany and because the Luxembourg compromise guaranteed that they could always invoke a veto when vital interests were at stake. Much more research has to be done about the Benelux cooperation in this period before we can come up with more definite conclusions.

Although the absence of joint approaches '*à trois*' was partly compensated by the numerous bilateral contacts, it was not until the major changes brought about by the fall of the Berlin Wall that the cooperation between the Benelux countries received new impetus.⁸

From Maastricht to the IGC 2000: Towards Stronger Political Cooperation

Since the beginning of the 1990s and with the prospect of enlargement, the European Union has been confronted with the double challenge of improving the functioning of its institutions and decision-making processes as well as of preparing twelve or perhaps more, mostly small, states – of under 10 million inhabitants – for membership.⁹ This rapid change and broadening of the EU agenda was noted

8) See the chapters 'België' by Rob Schreurs and 'Luxemburg' by Jan Willem Brouwer and Alfred Pijpers in Alfred Pijpers (ed.), *Nederland zoekt het tweegesprek*, pp. 85-96 and 97-113.

9) So far the EU has started official negotiations with twelve states: Estonia (1.6 million inhabitants); Poland (38.4 million inhabitants); Slovenia (1.9 million inhabitants); the Czech Republic (10.3 million inhabitants); Hungary (10.6 million inhabitants); Cyprus (0.7 million inhabitants); Malta (0.38 million inhabitants);

with some concern in the three Benelux countries. And not without reason, as these developments, particularly in smaller member states, are linked to important issues regarding their future position in the Union.

The danger of losing influence in a larger and more heterogeneous Community seems in some respects to be very real. Firstly, it has to be stated that the voting weight of Benelux in the Council, after the various enlargements, has been reduced since the 1950s, from 29.5 per cent to 13.7 per cent.¹⁰ Secondly, it is foreseeable that the voting weight of the smaller member states will be reduced even further during the IGC 2000 in order to remedy the overrepresentation of small states in relation to their population. This disparity is, for example, demonstrated by the fact that, according to the present qualified majority voting system in the Council, a decision can be blocked by the seven smallest member states, which represent only 12.5 per cent of the EU population.¹¹ Thirdly, it is striking that in the present Commission, important portfolios (enlargement, budget, external relations and trade policy) are all held by the larger member states.

A further example illustrating the obvious danger for smaller member states of being excluded from key decision processes was the composition of the Contact Group for former Yugoslavia, in which only the four larger EU member states were represented.¹² The fear of a gradually increasing predominance of the 'big' is well illustrated by the comment of the Belgian Foreign Affairs Minister who, at a meeting with journalists, condemned the tendency of 'big' countries to form 'directorates' and refused to accept 'small' countries simply being used as 'canon fodder'.¹³ Furthermore, the admission of new member states with different political and economic interests could – without a thorough reform of the EU institutions and decision-making processes – prevent a further deepening of the European integration process, which would not be in the interest of the pro-integration Benelux countries at all.

A final factor that has surely favoured the relaunching of the Benelux cooperation is of a domestic nature. Following the formation in 1994 of a coalition of liberals, socialists and the Democrats 66 in the Netherlands, fears were arising

Bulgaria (8.9 million inhabitants); Lithuania (3.7 million inhabitants); Romania (24.6 million inhabitants); Latvia (2.4 million inhabitants); and Slovakia (5.3 million inhabitants).

- 10) This is not only the case for the smaller member states. Also the weight of the big member states has been reduced. On voting power in the Council, see Madeleine O. Hosli, 'The Balance between Small and Large: Effects of a Double-Majority System on Voting Power in the European Union', *International Studies Quarterly*, vol. 39, 1995, pp. 351-370.
- 11) Frank Emmert and Danielle Bossaert, 'Die Stellung der Kleinstaaten in der Europäischen Union', in Thomas Cottier and Alwin R. Koppe (eds), *Der Beitritt der Schweiz zur Europäischen Union: Brennpunkte und Auswirkungen* (Zurich: Schultheiss, 1998), pp. 120-121.
- 12) The question of directorates and contact groups is further elaborated in the chapter by Stephan Keukeleire.
- 13) *Agence Europe*, 10 February 1999.

that pressure from the Eurosceptic liberals would loosen the Dutch commitment to the European integration process. The socialists and D66 saw closer cooperation with their Belgian and Luxembourg partners as a possible way to counter such a development.

Last but not least, one has to take into account that the smooth functioning of the rather *ad hoc* and informal cooperation between the three countries depends to a large extent on a good mutual understanding of the key political actors. The recent strengthening of Benelux could not have been realized without the excellent relations between Prime Ministers Kok, Dehaene and Juncker.

A New Dimension

After a rather lethargic period, and in view of the reform of the EU architecture, Belgium, the Netherlands and Luxembourg have, since the mid-1990s, renewed their efforts to coordinate their positions better and to adopt, wherever possible, common positions as well as to intensify the informal political dialogue at the highest political level. However, in contrast to the 1950s and the 1960s, cooperation between the three partners in the 1990s no longer places the emphasis on topical economic issues such as monetary union or the economic consequences of enlargement, but focuses primarily on issues dealing with the further political development of the EU, such as institutional questions and issues linked to the second and third pillars.

This change of priorities is logical, as Benelux – the traditional forerunner in the field of economic integration – has lost its leading role in that area. It is therefore not surprising that the Benelux reflection group,¹⁴ which was established in 1994 with a mandate to adapt the 50-year old economic cooperation framework to a rapidly changing economic and political environment, recommended a stronger focus on political cooperation as an important area for collaboration.¹⁵ Nowadays, these three member states consult each other regularly before meetings of the European Council, the General Affairs Council and, when necessary, other Councils.

In comparison with the Franco-German cooperation framework, which is characterized by a huge administrative structure with permanent committees and working groups with regular meetings, the structure of Benelux is less cumbersome in that it is almost exclusively composed of Prime Ministers, Foreign Ministers and political directors. Specific examples of these renewed attempts at closer political cooperation include the joint memoranda of the three partners before the 1996/97 IGC, before the extraordinary summit on the third pillar in Tampere and before the IGC 2000.

14) This group was composed of six representatives of the three countries, who were nominated by the three national governments. For more details, see the report *Le Benelux sous un jour nouveau* (Brussels: 1994).

15) *Le Benelux sous un jour nouveau*, p. 20.

Preparing Amsterdam

During the 1996/97 IGC, the strength of Benelux was characterized by the fact that the three partners had prepared and coordinated their positions in a common paper, which was used during the conference as a valuable 'working basis' in the negotiation talks.¹⁶ Before the official start of the conference, the three heads of government at the Benelux Summit in June 1995 underlined their firm commitment to 'intensify their contacts', to 'coordinate their point of views' in order to take 'initiatives, where possible' and to 'play a leading role again'.¹⁷

Until the start of the Dutch presidency (first half of 1997), the Benelux countries jointly prepared all meetings of the IGC representatives. The step forward in comparison with Maastricht was that whenever one of the three countries expressed its opinion, it normally did so in the name of Benelux. This was especially the case with topics such as the maintenance of the strong role of the Community institutions (Commission, European Parliament, Court of Justice) as the most important allies for smaller member states, the introduction of a flexibility clause, the extension of the co-decision procedure, further 'communitarization' of the second and third pillars, the gradual integration of the WEU into the Union, the incorporation of the Schengen agreements into the Treaty, as well as the strengthening of the EU institutions and decision-making processes. For many of the other smaller member states – like Denmark, Portugal, Ireland and Greece as well as the three 'newcomers' Finland, Sweden and Austria, which so far had no experience with IGCs – the Benelux was an 'essential' interlocutor during the conference, mainly with regard to the second and third pillars.¹⁸

This smooth functioning of the 'Benelux reflex' was, during the 1996/97 IGC, aided by the regular and intense contacts between the three Prime Ministers, as well as by the preparatory work of the Permanent Representations and the diplomatic advisers in the three capitals. However, despite this undoubtedly intense political dialogue between the three states, it is important not to overstress the significance of Benelux, whether as a motor for the deepening of the integration process or as a framework for consultation.¹⁹

The limits of this coordination network became apparent at the very last moment of the Amsterdam Summit (16-17 June 1997), when the Dutch presi-

16) 'Benelux Memorandum on the Intergovernmental Conference', 5 May 1996.

17) *Agence Europe*, 8 June 1995, p. 2.

18) Christine Goy, *Le Grand-Duché de Luxembourg face aux débats institutionnels de la CIG de 1996 liés à la grande Europe: Mémoire pour le diplôme d'études européennes approfondies*, (Bruges: College of Europe, 1997-1998), p. 64.

19) On the national position papers of the three Benelux countries, see the country chapters by Daniëlle Bossaert, Bart Kerremans, Marco Langendoen and Alfred Pijpers in: Finn Laursen (ed.), *The Amsterdam Treaty: National Preference Formation, Interstate Bargaining, Outcome and Ratification* (Odense: Odense University Press, 2000).

dency proposed a modification of the current weighting system in the Council favouring the big member states, without consulting its two partners.²⁰ This proposal would have meant an end to the parity between Belgium and the Netherlands, which at the moment both have five votes.²¹ It goes without saying that the Dutch move did not promote confidence between the three Benelux countries. The incident illustrates the limits of the cooperation. Despite the willingness to support each other, national interests will always prevail.

There are also other examples which illustrate that Benelux is not a single bloc with similar interests and identical positions in all policy fields. In general, the Netherlands is, with regard to institutional questions, much more flexible and open than the smaller member states of Belgium and Luxembourg,²² which stick to the present structure in order to safeguard their comfortable position in the decision-making processes. Likewise, Luxembourg was initially much more reticent about the introduction of a flexibility clause than Belgium, which, in comparison with the other two countries, is the most fervent supporter of further deepening European integration, and dedicated to the development of the EU towards a federation. Furthermore, there was no agreement with regard to the specific issues on which the qualified majority voting system (QMV) should be applied.

The IGC 2000

Also for the IGC 2000 there were serious efforts by the three Benelux capitals to coordinate positions and if possible to speak with one voice. Two memoranda were presented, one before the IGC (December 1999), the other one at the height of the negotiations in September 2000.

The first 'Benelux Memorandum' presented in December 1999²³ closely follows the report on the institutional implications of enlargement prepared at the request of the European Commission under the leadership of the former Belgian Prime Minister Jean-Luc Dehaene,²⁴ and is another example illustrating the possibilities and limits of the strengthened cooperation efforts of the three found-

20) According to their proposal, the four big member states would have 25 votes, Spain 20, the Netherlands twelve, Belgium ten and Luxembourg three.

21) In the IGC 2000 Belgium has accepted that the Netherlands would receive more votes on the condition that there would also be made a distinction between France and Germany.

22) It is, for example, a priority for Luxembourg to be represented in the rotating presidency system, while a team presidency would also be acceptable for the Netherlands.

23) 'Benelux Memorandum on the Intergovernmental Conference', 8 December 1999.

24) Jean-Luc Dehaene, David Simon and Richard von Weizsäcker, *The Institutional Implications of Enlargement: Report to the European Commission* (Brussels, 18 October 1999).

ing members. The central theme of this paper is the improvement of the functioning of the EU institutions in order to prevent an enlarged Union of up to 28 member states becoming little more than a free trade area.²⁵

In addition to the three 'leftovers' of Amsterdam – the size and composition of the Commission, the weighting system in the Council, the extension of QMV – the 'Benelux Memorandum' advocates an extension of the agenda to include far-reaching institutional issues. The three states are strong advocates of strengthening the flexibility clause, which they regard as essential to guarantee the further deepening of the integration process and they have not hesitated to take the lead in this debate. They argue that it should no longer be possible for a member state to prevent others from moving ahead in a particular area. The rights of those that do not participate are sufficiently guaranteed by the key role of the European Commission. Furthermore, it should be possible in an enlarged Union to form a vanguard of integration with only eight member states, the same number as currently defined in the Amsterdam Treaty. The paper also proposes an extension of closer cooperation to the second pillar.

Other issues where a successful common advance of the three partners during the conference seems possible include the strengthening of the role and the authority of the President of the Commission as well as – with regard to the individual responsibility of the members of the Commission – the improvement of the functioning of the European Court of Justice, the Court of Auditors and the Committee of the Regions, and the extension of the co-decision procedure, although it must be said that, in general, the paper is not always very specific on how to achieve these goals.

But again, as was the case for the memorandum of 1996/97, the three smaller member states do not want to commit themselves entirely to each other, but want to have the possibility to form coalitions with other member states whenever they want. In this respect, it is interesting that all three countries have once again laid down their respective positions in national position papers, which are much more detailed and precise in their statements.²⁶ As concerns the use of QMV, for example, the Netherlands and Belgium favour its extension to fiscal matters, while Luxembourg is opposed to giving up its national sovereignty with regard to this issue.

Another slight difference relates to the reweighting of voting in the Council, which all three countries support in principle. The national position papers of

25) With regard to an enlargement of the EU without a thorough reform of the institutions and decision-making processes, the Prime Minister of Luxembourg, Jean-Claude Juncker, dreads the 'disastrous spectre of a free trade area'. *Agence Europe*, 13 December 1999, p. 4.

26) 'IGC 2000: Contribution from the Dutch Government: An agenda for internal reforms in the European Union', Brussels, 6 March 2000; 'België in Europa', in *Nota Buitenlands Beleid*, December 1999, pp. 2-7; 'Aide-mémoire du gouvernement luxembourgeois sur la Conférence intergouvernementale', Luxembourg, November 1999.

Belgium and Luxembourg, however, express a preference for a double majority system (both a majority of member states and a majority in terms of population), whereas the Netherlands is in favour of a reweighting of votes that would only take the size of the population better into account. Even among the smaller member states, some small states are bigger than others.

The second memorandum presented in September 2000 indicates that the Benelux countries intend to continue their cooperation beyond the IGC to contribute actively to an efficient, transparent and democratic Union. The document elaborates some of the statements made in the first memorandum, but it also takes a medium-term perspective.²⁷ It is the first time that the Benelux countries make an attempt also to present a common vision on the future shape of the Union. It can be seen as a reaction to the debate that took off following earlier interventions by Joschka Fischer²⁸ and Jacques Chirac²⁹ presenting their blueprints for the Union of the twenty-first century. The position taken is not surprising. They express their concern about the current trend towards intergovernmentalism and cooperation outside the Treaty framework and they continue to be strong defenders of the Community method and Community institutions. They strongly oppose Chirac's approach whereby closer cooperation could also be managed by a separate Secretariat, rather than by the European Commission. Intergovernmental cooperation in the Union framework should in the longer term as much as possible be 'communitarized'. Against the background of enlargement, the three propose that by the end of 2001, the Heads of State and Government prepare a declaration in which the broad direction for the political future of the Union is outlined.

In addition the Benelux countries insist on the successful conclusion of the Nice Summit in December 2000 and they further specify their position with regard to some of the IGC issues. They strongly advocate the maintenance of one Commissioner per country and oppose the introduction of a hierarchy among Commissioners. Furthermore, they repeat their support for making the enhancing clauses for closer cooperation more flexible and for extending the use of QMV and co-decision.

27) 'Benelux Memorandum on the IGC and on the Future of the European Union', The Hague, 29 September 2000.

28) 'From Confederacy to Federation: Thoughts on the Finality of European Integration', Speech by Joschka Fischer at the Humboldt University, Berlin, 12 May 2000.

29) 'Notre Europe: Discours prononcé par Monsieur Chirac, Président de la République Française devant le Bundestag allemand', Berlin, 27 June 2000.

Future Prospects

The memoranda for the 1996/97 IGC and the IGC 2000 and joint preparations for important European Summits like Tampere (October 1999) indicate that the renewed attempts for cooperation among the Benelux countries are more than an isolated initiative. With the perspective of a more complex and heterogeneous Union, these three founding member states seem to agree that if they want to continue to have an impact on the development of the EU, it is in their interest to join forces. Not only are they concerned about a dilution of the European integration process, they also fear that there might be an increasing tendency of the big member states to go their own way as, for example, the constitution of contact groups in the second pillar shows.³⁰

An advantage of the intensified dialogue of Benelux is that it increases their chances of being heard. Two examples in question are the case of the incorporation of Schengen into the Treaty on European Union and the extension of the IGC 2000 agenda with the issue of flexibility. Although it was primarily the Dutch presidency in the first half of 1997 that took a leadership role in trying to realize the incorporation of Schengen, the Netherlands very much relied on the other two Benelux partners to keep the momentum in this very difficult and controversial dossier.

As regards flexibility, it was the Benelux countries that took the initiative to try to put the revision of the enabling clause for closer cooperation on the agenda of the IGC 2000. At the European Summit in Helsinki (December 1999) they were still quite isolated in their demands, but by the end of the Portuguese presidency in June 2000, the issue of closer cooperation was officially included into the IGC agenda. Although it cannot be denied that the fact that France and Germany now supported the revision of the conditions for closer cooperation was decisive, it was the Benelux countries that had successfully launched the debate.

It is interesting to note that in both dossiers Brussels, The Hague and Luxembourg could also count on the support of the European Commission. Taking into account their pro-European attitude it is indeed not surprising that in many cases they find an important ally in the institution that is in charge of representing the European interest.

30) In the 42 reports of the consultative inter-parliamentary council of Benelux, the three countries fiercely condemned the growing tendency of certain member states to establish contact groups outside the institutional framework of the EU; furthermore the Benelux countries draw attention to the fact that this would undermine the cohesion of the EU. See Conseil interparlementaire consultatif de Benelux, *Quarante-deuxième rapport commun de la Belgique, des Pays-Bas et du Luxembourg au Conseil interparlementaire consultatif de Benelux dans le domaine de la politique extérieure*, 15 March 1999, pp. 591-592.

Besides these success stories there are also breakdowns in the renewed attempts to cooperate. Although their history, geographical location and long-time EU membership makes them natural partners, the Benelux countries are also wary of being reduced to one block. In the Benelux reflection group, the 'committee of wise men' even acknowledged the risks for the three countries of acting too openly as a single bloc during the intergovernmental conference of 1996/1997, warning that the common Benelux position could have been translated into one Benelux member in the Commission, or one Benelux presidency. In this regard, too close a cooperation could even be counter-productive.³¹

There also continue to exist important economic, political and cultural divergences among these three founding member states. The Netherlands, which by population and economy ranks sixth in the EU, does not want to put all its eggs in the Benelux basket. Although it admits that being the biggest of the smaller certainly has its advantages, it simultaneously is also very eager to improve its position as the smallest of the big and to increase influence among the bigger member states. The Dutch government was, for example, very upset about the removal of Commission Secretary-General Carlo Trojan without prior consultation with The Hague, complaining that in the case of a larger member state such a reshuffle would not have taken place without prior notification of the capital concerned.³² In Belgium, too close Benelux cooperation is looked at with a wary eye by the French-speaking part of the population, which sees it primarily as a forum for the Dutch-speaking.

Also the traditional differences whereby the Dutch tend to adopt more liberal views in the field of economics and more Atlanticist views in the foreign policy area continue to exist. Although the fall of the Berlin Wall has made the Netherlands less reticent with regard to European cooperation in the field of security and defence, its position is still not on the same line as the other two Benelux countries. On other issues such as the environment, the position of The Hague is closer to that of the Scandinavian countries. Another example where the views diverge is the earlier-mentioned case of taxation, which is a very sensitive issue for Luxembourg.

Taking into account the above-mentioned factors and examples, it is not surprising that the three have consciously chosen not to formalize their links but continue to organize their cooperation on a purely informal and *ad hoc* basis. The contacts primarily take place at the higher political levels and depend to a high degree on the personal chemistry between the actors involved. The basis for longer-term cooperation therefore continues to be shaky.

Concluding, it can be said that the cooperation between Belgium, Luxembourg and the Netherlands is not exclusive but is part of a general strategy of the three smaller countries to intensify their bilateral and multilateral relations with

31) Alfred Pijpers and Sophie Vanhoonacker, 'The Position of the Benelux Countries', in Geoffrey Edwards and Alfred Pijpers (eds.), *The Politics of European Treaty Reform* (London: Pinter, 1997), p. 137.

32) Gordon Cramb, 'Dutch Bridle at Heavy Hand of Bigger Brothers', *Financial Times*, 12 May 2000.

the objective of better defending their national positions. In parallel, the three partners also maintain bilateral relations with many other countries, both within and outside the EU. In the Netherlands, for example, the closer cooperation with Belgium and Luxembourg is part of a broader so-called '*buurlandenbeleid*', aimed at developing closer links not only with the small but also with the big neighbours ('*buurlanden*') such as France, Germany and the United Kingdom. The Dutch State Secretary for European Affairs, Dick Benschop, in a speech at the Dutch Society for International Affairs pleads for a networking approach.³³ In an increasingly divergent and heterogeneous Europe where deals more and more seem to be reached outside the formal meetings of Ministers or Heads of State and Government, The Hague wants to avoid becoming isolated. As a middle-sized country, the Netherlands should aim to become an important partner in a broad European network comprising not only the EU member states but also the candidate countries.³⁴

The same trend of intensifying contacts with other EU member states – and not only with the traditional partners of France and Germany – is also apparent in Luxembourg. With the goal of fostering the influence of the smallest Benelux member in the EU, the Prime Minister Jean-Claude Juncker stressed in the declaration of the new government in June 1999 that it is highly important for the Grand Duchy to invest more in bilateral relations with its EU partners.³⁵

One could repeat the question put forward earlier by Professor A.E. Kersten concerning the political influence of the Benelux countries in the period 1945-1955 and ask whether by closely cooperating the Benelux countries could equate the influence of that of a big member state?³⁶ We think that the answer to that question is negative. Firstly, there is no political support in the respective countries to elevate the cooperation to such a high level. Secondly, even if such willingness did exist it would be highly unlikely that it could be realized. The interests of the three do not necessarily always coincide and as we have seen in the dossier of the reweighting of the votes, the first priority continues to be the defence of one's own position. Thirdly it would certainly be an illusion to assume that close cooperation between the three would add up to the same influence as that of France or Germany for example. Even if the Benelux countries have together more votes than Paris or Berlin, their power base in terms of population and military force is not strong enough to acquire big power status. The cooperation between the Benelux countries will therefore probably continue to serve as a kind of mini-motor pulling the others on certain specific issues where the three can find common ground.

33) For the text of his contribution, see Dick Benschop, 'De dynamiek van Netwerk Europa', *Internationale Spectator*, vol. 4, no. 4, April 2000, pp. 186-190.

34) On the Netherlands and the increasing importance of bilateralism in its foreign policy, see Pijpers, *Nederland zoekt het tweegesprek*.

35) 'Declaration of Government of 12 August 1999', by Jean-Claude Juncker, p. 3.

36) A.E. Kersten, *Maken drie kleinen een grote? De politieke invloed van de Benelux, 1945-55* (Bussum: Van Holkema en Warendorf, 1982).

As we have seen in the case of the flexibility dossier, their chances of success are considerably enhanced when in addition they can also rely on the Franco-German axis.

10 Afterthought and Perspective

Alfred Pijpers

What picture arises from the previous pages? Are there new core and coalition patterns emerging in the European Union? What are the consequences for the position of the smaller member states? And what are the perspectives in this regard? Since the scope of this project and the selection of EU countries under investigation were rather limited, we shall refrain from drawing very firm conclusions, but certain opinions and observations seem to be shared by most of the contributors to this volume.

Between London, Paris and Berlin

To begin with, it is widely felt that the changing of the guard in London, Paris and Berlin in the second half of the 1990s has given the dynamics of European cooperation a new direction as Steven Everts pointed out. This has less to do with a similar ideological outlook of the three centre-left administrations, or with specific social-democratic priorities for the EU, but rather with their wish to do away with certain European cooperation habits of the past. Particularly Blair and Schröder felt a strong need for change, after so many years of Conservative and Christian Democratic rule. But the French government under Jospin also made new openings, and caused Chirac to change his rather blunt style *vis-à-vis* his European neighbours. The centre of gravity of the European Union has gradually shifted away from the Franco-German axis (supported by the European Commission) to an informal 'triumvirate' of Paris, London and Berlin. Via an extensive network of bilateral links and the machinery of the European Council, these three governments have gained the upper hand in deciding main policies for the European Union. The position of the European Commission has gone through a period of structural decline, while the classical forms of European integration around the core areas of the internal market and the monetary union are increasingly suppl-

mented by more informal cooperation techniques such as 'benchmarking' or 'peer pressure', used in a wide array of policy areas.

It is hard to tell which of the three governments took the lead in the new cooperation patterns, but London was probably the most eager to shed the heritage of nearly two decades of Conservative aloofness and reluctance. Although the Blair government could and would not (yet) join the EMU, it initiated a 'step change' in its contacts with the continent. Through a web of bilateral alliances it has sought to influence or to counteract European decision-making.¹ From a reluctant partner, the United Kingdom has at least become a proactive player, not just for Berlin and Paris, but also for Madrid, Stockholm, Rome and The Hague. From a perspective of closer European cooperation this may seem a positive development, but sometimes it is only a blessing in disguise. While Margaret Thatcher waged a lonely battle, Tony Blair prefers to use allies, but one should keep in mind that he fights partly against the same Franco-German and 'Brussels' enemies (Cf. Felipe Basabe Lloréns on Spain's new allies).

Defence has become an important vehicle for British influence in the European Union. Via the new (interim) defence committees in the heart of the Communities it has, as a leading military nation, conquered a primary place around the table in Brussels, undoubtedly to offset its absenteeism in Frankfurt. Although defence is not (yet) a core area of European integration, the subject nevertheless has a high political profile, with important side effects for adjacent areas of the Communities and their institutions. The new military tasks of the Union will certainly have the effect of making the Communities more intergovernmental, rather than the other way around. Here too one wonders to what extent the British government has changed its attitude on the European Union, or mainly its style.

The role of Germany over the past few years has been reticent, rather than assertive. Instead of being able to make a fresh start with a fresh coalition in the setting of the new *Berliner Republik*, the Schröder-Fischer administration was confronted by a string of internal political problems and near crises, ranging from the necessity of structural reform of the German economy, and its social and fiscal obstacles, to the Kohl crisis (which did not only affect the CDU), and the problems in the eastern part of the country, of which the activities of the extreme right are only the most visible manifestations. The red-green coalition has hardly had an opportunity for a leading role in the EU, apart from the brief spell of the German EU presidency during the first half of 1999. Berlin remained backstage in the debate around the set-up of the CESDP, probably the most important EU initiative after the EMU project. Fischer's speech provided interesting ideas, but no German leadership.

1) Brian Groom, 'Blair Weaves Series of Alliances to End UK's European Union Isolation', *Financial Times*, 24 November 2000.

This is not to deny the highly constructive role of Germany in its relations with both its larger and smaller neighbours.² Partly because of Germany's past (which imbued German diplomacy with *Bescheidenheit* [modesty] in international affairs) and because of its geopolitical setting (with seven smaller states at its borders in the very heart of Europe), but also because of its federal structure (which forces the government to deal constantly with the many *Länder*), Germany is traditionally accustomed to dealing with smaller states. Denmark, Belgium, Luxembourg, the Netherlands and Austria are in terms of size look-alikes of Rhineland-Westphalia or Lower Saxony, and therefore natural partners of a Bonner or Berliner Republic. In any case, Germany has exploited the use of the smaller states in the coalition-building process in the European Union much better than France or the United Kingdom, although these two countries, as we have seen above, have also begun to nurture alliances with the smaller countries (perhaps inspired by the rather successful German example).³

France has aptly exploited the opportunities created by Germany's (self-) restraint, despite its own handicaps of *cohabitation*. Next to a traditional bent for stardom in Brussels, it has actively sought to improve its bilateral relations with the United Kingdom, Spain, Italy, and even the Netherlands.

The joint Franco-British push for a common European defence policy is representative of current French ambitions in the European Union. The emerging CESDP is an outspoken chance for France to realize some longstanding foreign policy priorities.

Paris has a relatively favourable position in this field, better than that of the United Kingdom or Germany. The UK is also a key player, but France combines its military predominance with a pivotal role in the EMU and in the administrative machinery of Brussels. Germany's share in the European defence efforts is still limited, despite the presumed 'normalization' of Germany's international stance. German troops may be deployed outside NATO, even for combat purposes, but many hesitations remain in this respect, while the structure of the German armed forces and the level of its defence budget are not very suitable for expeditionary tasks (unlike the EU countries with a colonial past). For France the CESDP is a highly useful vehicle to redefine its military role in Europe and the world (since the *force nucléaire* lost most of its added value after the Cold War), and to give its ailing armaments industry a boost. The CESDP also gives the Communities some additional intergovernmental accents, while it provides, at least on paper, the much desired status of 'autonomy' *vis-à-vis* NATO and the United States.

2) See also Dirk Verheyen and Christian Soe (eds), *The Germans and their Neighbors* (Boulder CO: Westview, 1993).

3) Alfred Pijpers (ed.), *Nederland zoekt het tweegesprek: Neobilaterale accenten in de Europese politiek* (The Hague: Clingendael Institute, 1999).

The Position of the Smaller States

The bilateral network approach, the increased application of informal 'integration' and cooperation methods, the tendencies for a directorate in defence, the leftover agenda of Nice and the forthcoming rounds of enlargement have increasingly called into question the position of the smaller and medium-sized member states in the EU.

At first sight there is ample reason for concern. The informal and bilateral cooperation techniques are a drawback of the Community method and the rule of law, so often invoked in order to protect in particular the interests of the smaller states (although Nehring and Herolf reminded us in their chapters that the Scandinavian countries are in this respect less Community-minded than the Benelux). In an informal setting the right of the strongest usually prevails, particularly in the growth area of foreign policy and defence.

But for a number of reasons we should not exaggerate the gap between large and small, nor suggest an inbuilt conflict between the two categories. In most Council dossiers the distinction hardly plays a role. Although we have not investigated the Council's voting patterns, it is a European fact of life that the required majorities (or blocking minorities) in that body are not significantly formed along any large-small dimension, quite apart from the fact that in most cases votes are not taken at all. Nor are larger states in general more 'faithful' than the smaller ones in terms of support for majority decisions (or the other way around), a point to keep in mind when the larger states argue that a stronger position for the big states will increase the effectiveness of the EU. And the veto remains a powerful weapon, both for large and small.

The distinction between large and small is mainly relevant in institutional matters, but even here one should keep the problem in the right perspective. It was the larger states that made a concession in Amsterdam (by giving up their Commissioner), and even in the most unfavourable outcome of Nice, the relative position of the smaller states always remains larger than their size would justify. It is true that in the run-up to Nice, larger states were pitted against the smaller ones (particularly at the summit of Biarritz from 13-14 October 2000), but the problem of the reweighting of votes affected the big countries as well.⁴ Moreover, the smaller and medium-sized member states were also fighting among each other for a fair share of the cake (Cf. Danielle Bossaert and Sophie Vanhoonacker in this volume), again an illustration of the fact that there are no sharp boundaries between large and small, nor great differences in the ways that they behave and defend their national interests.

4) Cf. Madeleine Hosli, *Smaller States and the New Voting Weights in the Council* (The Hague, Clingendael Institute, 2000).

Defence

Defence, however, is clearly an area where it is most likely that inner circles, or even a 'directorate' of the big three or four will emerge, as Stephan Keukeleire has pointed out. This is due to the simple fact that France, the United Kingdom, Germany and Italy carry nearly 80 per cent of the military capacity in the EU, and therefore will not readily accept a paramount influence in these matters by most other member states, let alone by the Community institutions.

The Fifteen have deliberately chosen the second (and not a separate fourth) pillar as the launching platform for their new European defence capacity.⁵ It is argued that a close link with the CFSP and the EU's 'single institutional framework' is functionally useful, and may also bolster the Common European Security and Defence Policy with the presumed legitimacy of the Union. But the provisions of the second pillar (pre-Nice) are not very suitable for the EU's military ambitions, and may lead to inner circles in order to escape the restraints posed by the structure (and culture) of the present institutional set-up.

The rotating EU Council presidency, for instance, is not very helpful in times of crisis. Under the present rules the EU presidency has some significant functions in the CFSP: it represents the Union to the outside world; it is responsible for the implementation of common measures; and it is the presidency that 'in cases requiring a rapid decision' is responsible to 'convene an extraordinary Council meeting within forty-eight hours or, in an emergency, within a shorter period' (Art. 22).

It is unclear to what extent these provisions are also going to rule the common defence policy in the future, but it is certain that particularly for the smaller member states the EU/CFSP presidency is already a heavy burden. They often lack the necessary diplomatic or military staff and expertise that are needed to act swiftly and authoritatively in times of crisis.

The High Representative for the CFSP may assume more responsibilities in this regard by permanently chairing the Political and Security Committee (COPS), while reducing the Council presidency to symbolic proportions (as in NATO), but it remains to be seen whether all member states are prepared to renounce the EU principle of the rotating presidency, and to revise the relevant treaty paragraphs.

An additional factor leading to inner circles in the CESDP is the extremely 'flexible' nature of the second pillar, as may appear from the numerous exception clauses in title V and the related financial and other protocols. The NATO and WEU members have different commitments than Ireland, Austria, Sweden and Finland. Art. 17.4 allows for the 'development of closer cooperation between two or more member states on a bilateral level'. As an EU and NATO member, but only a WEU observer, Denmark remains a special case. It unequivocally reminded

5) This paragraph draws partly on: Alfred van Staden, Kees Homan, Bert Kreemers, Alfred Pijpers and Rob de Wijk, *Towards a European Strategic Concept* (The Hague: Clingendael Institute, 2000).

its partners at the EU summit in Feira (June 2000) that the Protocol on the position of Denmark attached to the Treaty of Amsterdam also remains valid after the implementation of the Helsinki headline goals (see the contribution by Niels-Jørgen Nehring in this volume).

Denmark stipulated in the second part of this Protocol that it 'does not participate in the elaboration and the implementation of decisions and actions of the Union which have defence implications'. Although the Danish government will not prevent the development of closer cooperation between member states in this area, its position of aloofness can nevertheless be considered as a signal that the quest for a truly common European defence policy remains elusive. Paul Luif also illuminated this point in his contribution on core and periphery in European security.

Almost an open invitation to dissent from a *common* foreign and security policy are the paragraphs on qualified majority voting and 'abstention' in Art. 23. Although unanimity is the ground rule in the second pillar, for the adoption and implementation of 'joint actions' it is also possible to proceed by qualified majority voting, this apparently with the view that a procedure which has been a marked success in the area of the internal market is perhaps able to make a success of the second pillar as well.

But there is an essential difference between majority voting in the first pillar, and the same procedure in the second pillar. Majority voting in the first pillar results in decisions that do not only bind the overruled members, but that are implemented by them as well. This is not the case in the CFSP. Here, a minority of member states that resist certain joint actions always remain a political and diplomatic liability for the outside world, whatever the 'common' European pretext. Moreover, each member state may 'oppose' the adoption of a decision to be taken by qualified majority 'for important and stated reasons of national policy'. Although these rules for qualified majority voting do not pertain to 'decisions having military or defence implications', they show too well that at the central decision-making level unity of action is still a scarce commodity in the European Union.

The celebrated clauses on 'abstention' in the Treaty of Amsterdam also apply to defence. When abstaining in a vote, the member is not obliged to apply the decision, but shall accept that the decision commits the Union. However, Art. 23 also rules that 'if the members of the Council qualifying their abstention [...] represent more than one-third of the votes [...] the decision shall not be adopted'. Such paragraphs are undoubtedly meant to remain a dead letter, but they are nevertheless written in a treaty supposed to steer the new European defence capacity, at least for the time being. Under the present rules it is in theory possible that only a handful of smaller member states block a decision of the majority to take military action. It is not very likely that this is acceptable for the larger states.

The EU culture of dissent is much more open and manifest than that of NATO. Countries such as Greece or Denmark, which in the end usually conform to the demands of NATO, are often less compliant in the framework of the CFSP.

The EU has no clear leadership structure, while the Petersberg tasks, in spite of their 'humanitarian' image, lack the solid legitimacy of collective defence.

Small wonder, then, that concepts allowing for defence cooperation among smaller groups of member states are openly discussed in the framework of Europe's military plans. At the European Council meeting in Feira (19/20 June 2000) a suggestion was made to maintain the Council's overall political responsibility, but to establish in times of crisis an '*ad hoc* committee' of countries willing and able to contribute to EU-led military operations. The problem, however, is that it is not so easy to distinguish during the heftics of a crisis between the political and the military side of decision-making. If an *ad hoc* committee of some countries indeed decides to handle the actual military operations, it is not very likely that they will accept a significant political role of the Council (or its subsidiary bodies) in the further conduct of the operations. And, what is more, the 'willing and able' shall try from the very beginning to take the lead, with all the dire consequences for the Community process.

This is not to deny the possibility of the smaller member states participating in the EU's military activities. The smaller states are often considered a favourite junior partner in bilateral military arrangements (for example, the UK-NL Amphibious Force, French-Belgian interventions and the German-Dutch Army Corps), and Sweden, Finland, Denmark and Austria in particular have an outspoken reputation when it comes to peace-keeping and related Petersberg tasks, the core business of the CESDP (see Paul Luif and Gunilla Herolf in this volume). But experiences with the Contact Group show that political representation at the decision-making levels remains a serious point of concern for the smaller states.

Resurrection of the Franco-German Axis?

Against the backdrop of these shifting coalition patterns in Europe, many feel that the days of the *primacy* of the Franco-German relation as the main driving force behind new integration projects are numbered.

But here appearances may deceive. To begin with, the Franco-German relationship still differs on essential points from the French-British or the German-British contacts. Even if the engines are sputtering, the intensity, frequency, scope, political significance and institutionalization of the relationship between Berlin and Paris still put any other bilateral link in the European Union in the shadow.

The central concern of Paris and Bonn was always to create a more balanced and stable relationship between the two neighbouring countries with such unequal capacities. On French insistence parts of the (potential) German power resources were pooled at the European level, and neutralized through a system of Community institutions and European law. First came coal and steel, then the common market (with the Common Agricultural Policy to protect French farmers), then the single currency. France itself, and other member states, made concessions in terms of power and sovereignty as well, but the German share was always the largest, also as paymaster general of the Community.

Characteristic of the dynamics of European integration was that sectors where the process was most advanced (coal and steel, agriculture and the single currency) were not primarily dictated by economic considerations, but by the areas where Germany tended to become too powerful or where France needed protection. (Defence, therefore, was for a long time left outside the realm of European integration. This was, and is, undoubtedly due to the different strategic interests in the European capitals, and to the fear of losing national sovereignty, but also to the fact that the military potential of Germany was no longer an overriding concern for Paris, since that had become controlled through the organs of the WEU, NATO and various other international treaties in the 1950s, a point to keep in mind for the present discussion about the future of European military cooperation.)

This is not to say that integration only extends to areas around the Franco-German core. On the contrary, the 'political' core areas of integration were gradually supplemented with sectors largely created for economic reasons, or for the internal and external functions of an internal market. The 'logic expansion of sector integration', the enormous effects of the internal market, the information and communication technology revolution and such forces as globalization or privatization have widely expanded the areas of cooperation and, at the same time, fundamentally altered the rules of the game.

The many newer areas of cooperation are no longer connected with the Franco-German power game, and mainly serve utilitarian purposes. It is perhaps in these newer functional areas where a network approach is feasible, where the member states may indeed pool their national interests in shifting alliances, without bothering too much about any *finalité politique*. But as a strategy for the future this approach is less convincing. The network approach defines no priorities, and it does not make clear what will be left of the role of the institutions.

What, then, remains of the Franco-German axis? Will it retain or recapture its former leading and steering capacity? Perhaps it is useful to recall that the Franco-German cooperation is not defunct because the relationship as such has become obsolete in a Union beset with 'networks' and 'shifting alliances', but because the *Berliner Republik* is, for the reasons set out above, inward directed rather than outward looking. Under such circumstances there is no desperate need for France to keep the German forces on a leash. The (relative) weakness of Germany, and not its strength, has been one of the underlying factors in the disappointing results at Amsterdam and the Franco-German problems during the run-up to Nice.

It is hard to tell what is in store for the years ahead, but considering the resources of the *Berliner Republik*, and the enormous resilience of the German nation, it is not very likely that the role of Germany will be like the German position in the early nineteenth century. If it is true that the core areas of European political integration have been defined by the (potential) German power surplus in Europe, where can that surplus be found in the years ahead? Most probably in Central and Eastern Europe, where Germany already has a comparative advantage, but where France too has substantial historic and diplomatic interests.

Enlargement will further enhance the chance for German hegemony in the centre of Europe, and it is not unlikely that yet another Franco-German *Ausgleich* might materialize around this new German challenge. We should not forget that their combined economic weight (in terms of GDP) still accounts for more than 50 per cent of the total GDP of the twelve members of euro-land, as Iain Begg and Dermot Hodson have pointed out in their contribution. The attempts to organize a 'trialogue' between Berlin, Paris and Moscow under Yeltsin, and the so-called 'Weimar triologue' (between Berlin, Paris and Warsaw) are already signals of the French attempts to keep German aspirations at bay. Whether Germany is still prepared to renounce its predominance for the sake of Europe remains to be seen, but if that is the case, the massive cluster of policies *vis-à-vis* Central Europe (enlargement, trade, aid, association, security and defence) may indeed become the next core area of European integration.

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