

# The Member States of the European Union

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# Chapter 2 Exercising Power and Influence in the European Union: The Roles of Member States

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## Summary

The European Union is characterized by a shifting balance between the member states and the supranational institutions. There is also a shifting balance between the member states in terms of their power and influence within the Union. Developments such as the May 2004 enlargement and the Constitutional Treaty act as a spur for the shifting balance. Against this backdrop the chapter focuses on how member states—here principally understood as member governments—influence the European Union. It then explores the resources that individual member governments can call upon to try and increase their imprint upon the European Union's work. The chapter offers benchmarks for analysing the roles of the states, as considered in Part 2 of the volume.

## Introduction

The European Union (EU) operates through an evolving political process which engages its member states in a system of shared governance. The member states are not external to the EU system, but integral parts of it. Indeed in a sense one can describe the EU as the collective property of the participating member states. These, in various guises and through a multiplicity of channels, shape the EU, both enabling the EU institutions to act and constraining when, where and how they act. This system of shared governance has not resolved itself into a clearly defined form that structures all the interactions of the member states with the EU institutions. Instead we find many different kinds of interaction, which make simple generalization misleading, all the more so since there is a continuing debate about how to specify the relative roles and powers of the member states within the EU system (Kohler-Koch 2003).

This system has several features which need to be borne in mind in assessing how the member states fit into it. First, there is no clear hierarchy which makes the EU either superior to or subordinate to its member states. In some policy fields the EU level of action predominates, while in others the member state level of action predominates. And very often policy powers are shared between the two levels of governance. To put this another way, in some policy fields the member states as 'principals' have delegated a policy competence more or less completely to the EU system, while in others there is only partial delegation (Pollack 2003). However, this can change, and even in fields of extensive delegation it is conceivable for a policy power to be retracted by the member states from the EU, as is under discussion, for example, in the case of the common agricultural policy or to be decentralized, as in the field of competition policy.

Second, the EU system is in a kind of constant flux, in that practice, experience, and experiments over time alter the ways in which the member states are involved in the EU system. Indeed in recent years there has been a proliferation of new modes of governance emerging within the EU, sometimes as new ways of dealing with old shared policies, and sometimes as a way of engaging collectively with policies previously outside the terrain of the EU. Typically the newer modes of governance that are emerging involve complex sharing of policy responsibilities between the EU and the member state levels of governance, and often they involve the use of 'soft' methods of policy development rather than 'hard' rules and powers (Wallace 2001).

Third, periodically efforts are made explicitly to redesign the EU system in a formal way, traditionally through Intergovernmental Conferences (IGCs), and recently with the additional experiment of the European Convention. Formal redesign can of course alter significantly the relationships—and the 'balance'—between the member states and the EU institutions. However, there is not a consistent pattern of development towards an ever clearer division of powers between the EU and the member states. On the contrary, the underlying trend is for policies to be developed by a sharing of responsibilities between EU and national levels of governance.

Fourth, the membership of the EU is not stable, but alters periodically with successive enlargements. Thus, on the one hand, the core characteristics of member states as such differ over time, altering the range of policy needs and objectives, and,

on the other hand, the relationships among member states alter, changing coalition politics and patterns of influence within the EU. Moreover, national policies and cultures also vary over time and between countries, with the consequence that individual member states differ considerably in the ways that they approach their involvement in the EU system. As a result it is important to look at the differences among member states in their ways of engaging with the EU process and at the variations in their experiences of Europeanization (Héritier *et al.* 2001).

For all of these reasons understanding the EU system represents a continuing challenge not only to the analyst but to the practitioner. The ways in which member states behave within the system affect the character of the system itself. In observing how member states behave we can also therefore gain insights into the nature of the overall political process within the EU. Some kinds of behaviour are conducive to the deepening of political integration and to a strengthening of the political autonomy of the EU, while others tend to weaken or to dilute integration. The supranational explanation of the EU presumes that there is an autonomous source of European political authority separate from the political authority of member governments, and that member states are loose aggregates. The intergovernmental explanation insists that the crucial interactions are those which take place among the governments of the member states, governments with the capacity to act coherently and strategically. Evidence has to be collected about the behaviour of member states in order to judge which of these explanations is more persuasive.

The member states are present in one form or another in all of the institutional processes of the EU (Wessels *et al.* 2003). Thus, most obviously, the Council and the European Council are the places in which the member states are most explicitly present and 'represented' in the EU institutional system. In some instances the member states behave in a rather collegiate fashion within the Council, while in other instances they operate much more separately and competitively. In contrast it might be supposed that the European Commission would and should behave rather independently of the member states. Yet in practice the Commission is involved in continuous dialogue with the member states—and needs to be in order to exercise its delegated powers. Sometimes, however, individual member states seek to influence the internal deliberations of the Commission through 'their nationals' in the college or in the services of the Commission. Even within the rather autonomous legal system of the EU and its independent courts one can find traces of influence from the member states, either in terms of the impact of their legal cultures or in terms of interventions by the member states in individual legal cases.

We need therefore to clarify the definition of 'member states'. At first glance this looks simple. The EU treaties are signed by the 'member states' under international law. The EU institutions are peopled sometimes by representatives of the member states, as in the Council and the European Council, and sometimes by appropriately chosen persons from the member states, as in the other EU institutions—the Commission, the Parliament, the Courts, and so forth. Reality is, as usually, rather more complex. The Council and the European Council are the key institutions in which the member states are represented, and here it is the member 'governments' which are present. The treaties dignify these representatives through the language of states, but those involved are actually serving politicians, and their officials, from currently incumbent governments. They thus have political agendas and preferences as successful parties

and politicians in office, which may—or may not—be representative more broadly of the concerns of the states which they represent.

To distinguish between member states and member governments is not just a matter of splitting hairs. The term 'member states' works more easily in classical international organizations than it does in the case of the EU, which through its multi-dimensional institutional processes allows a variety of actors from the member states to play a part. Member governments are gatekeepers between the state politics and the EU system only up to a point. Member governments are subject to influences from other political actors from their own states which use the EU arena sometimes for other and different purposes. Governments are not monoliths, but comprise a variety of functional and political preferences. Similarly people other than those from incumbent governments speak for opinion in the member states in the variety of EU institutional fora. Thus parliamentarians, subnational authorities, national agencies, social partners, pressure groups, non-governmental organizations, and so forth from the member states are present in the EU political process, as well as member governments. Any of these may claim a voice on behalf of the member states in policy debates. The more decentralized or devolved a member state is the more scope for actors other than central governments to play an important role also as regards the EU.

Most of what follows in this chapter concerns the roles of member governments in the EU system. Much of the focus is on the Council and the European Council, including national preparations for Council negotiations, and on the ways in which member governments seek to influence what happens in other EU institutions, for example, by efforts to influence the work of the Commission, or of members of the European Parliament.

Member governments do not, however, impact on the EU system only by their explicit actions within the EU institutions. They also shape the impacts of the EU within the politics of the member states. And they use other channels to influence each other and the politics of European policy inside other member states. As member governments adopt and adapt their domestic procedures for establishing domestic preferences on EU issues and for articulating these preferences in EU fora, so they condition and shape the domestic debate in their own countries (Featherstone and Radaelli 2003). These domestic processes are important influences on how the parameters are set for transmitting each member state's concerns into the EU process.

One other important feature of the behaviour of member governments within the EU system broadly defined is the interaction which takes place among member governments away from 'Brussels' and rather in each other's capitals, through diplomatic and other exchanges, or in other domestic fora. The point here is that there are many horizontal interactions among governments, not only through formal intergovernmental exchanges, but also through party linkages (note here the apparent increase in salience of meetings of party leaders in advance of European Council meetings), and through many informal mechanisms for influencing opinion-formation in other member states. There is thus a pronounced dimension of 'multiple bilateralism' in the EU system. The Franco-German version of this is the best documented and according to most observers the most influential, but this special bilateral relationship is only part of a wider pattern of interactions and a wider range of bilateral relationships between member countries, at both governmental and non-governmental levels. Indeed there is something of a trend towards more activism on

the part of pairs or groups of member states seeking to project particular policy or political preferences within the EU system. The combined efforts of the Polish and Spanish governments in the 2003 ICC to retain the provisions of the Treaty of Nice on voting weights is an apt example.

This chapter provides, first, an overview of the points of access for member governments to the EU institutional process. Secondly, it identifies some headings under which we might assess the exercise of power and influence in the EU by member states, and especially the governments of those member states. Thirdly, it comments on ways of comparing the performance of different member governments in the EU system.

## Points of access in the EU system for the member governments

Member governments have points of access in the EU system at all phases of its policy and political processes, namely the successive phases of policy design, policy negotiation, policy legitimization, and policy implementation.

### Policy design

In the traditional areas of EU policy, subject to traditional Community methods, the formal right of policy initiative and policy design rests with the Commission. However, the Commission does not invent policy proposals in a vacuum: its officials draw on a wide variety of sources in developing policy ideas and crafting policy proposals. Indeed, according to its own assessments, the majority of Commission initiatives derive from a suggestion put forward at some stage by one or other government, flanked by ideas emanating through other channels within the system. The Commission operates a system of advisory committees and expert groups through which it gathers opinions on possible policy initiatives and promotes processes of deliberation (Joerges and Dehousse 2002). Many of these involve 'experts' from the member states precisely in order to ensure that the policy experiences and preferences of the member states are fed into the deliberative process, in addition the Commission services include officials who are seconded national experts from the member states again, precisely to ensure that relevant knowledge and experience is incorporated into policy design.

A distinction should be drawn here between 'expertise' and formally represented views from member states, although in practice the line cannot always be drawn clearly. This channel of expertise provides opportunities for member governments to feed their preferences into the process in an activist way, if they so choose. After all one of the skills of successful negotiation is the ability to shape the foundations of the proposal on the table. Activist governments can and do try to be 'pacesetters' in exporting their ideas to the Commission, in the hope that a proposal, formally articulated by the Commission, can incorporate their preferences clothed in the garb of the collective interest. Reactivist governments play less of a role in the phase of policy

design, either sitting on the fence until proposals become fully articulated or listing problems rather than solutions (Jordan 2002). The example of environmental policy is particularly apt. Here we can see a recurrent pattern in which the 'greener' member states, typically the more prosperous, have been very active as 'leaders' in exporting their preferences for stronger environmental controls to the Union. In contrast, the 'less green', often the less prosperous, member states, have been 'laggards', finding themselves pushed into importing such environmental controls and finding that they cramp their economic development. Note also, however, that member states may switch sides, as the British did in 1997 to become 'greener' after the election of the Labour Government, and as the Danish did to become 'less green' after the election in 2002.

Detailed case studies across the range of Community policies reveal the imprints of governmental successes in setting the agenda for discussion. These successes depend crucially on how far governments, or parts of governments, exploit their points of access to the formative phases of policy development. These include the channels to particular parts of the Commission—an individual Commissioner and her/his cabinet, a particular directorate-general, or a specialized service. Here we can observe considerable variations of practice between governments and between issue areas in how these opportunities are exploited. There is a risk that the Commission could find itself captured by the pressures emanating from the member states and lose its independence. The formal rule is that Commissioners on taking office have to swear an oath of independence and not to take instructions from the governments of the countries from which they come, and the same principle applies to officials in the services of the Commission. However, this intended neutrality came under challenge in the Constitutional Convention discussion about how the composition of the college should be determined. The insistence by some governments on having one Commissioner 'from' each member state suggested that the college should have a representative character, and that Commissioners might be expected to act on behalf of the countries from which they come. Propositions designed to reduce the size of the college to somewhat fewer than the number of member states were designed to counteract this notion of incorporating national representation within the Commission. The October 2004 agreement on the Constitutional Treaty sought a balance between these approaches, with a commitment to retaining the current system of one Commissioner per member state until 2014.

In some areas of EU policy development governments play a more explicit role in framing policy proposals, especially in those fields of policy often styled as 'intergovernmental'. In the Common Foreign and Security Policy (CFSP), or the further steps towards creating an EU defence capability, it is from member governments rather than the Commission that the main framing proposals have emerged. The St Malo declaration by the French and British governments in 1998 was a key example (Forster and Wallace 2000). Interestingly the Swedish and Finnish governments played an important role in defining what became the 'Petersberg tasks' for action under CFSP. In the field of justice and home affairs, where the Commission enjoys a parallel (rather than sole) right of initiative, member governments are often in practice active policy initiators. More recently, in December 2003 the British, French, and German governments reached agreement on new steps to develop a collective European defence capability.

The Lisbon Strategy provides an interesting contrast. The Strategy was agreed by the European Council in March 2000 as a means of promoting economic and socio-economic policy reforms in fields relevant to generating growth and innovation where the EU lacked many specific policy powers. To this end it was agreed to use different policy techniques, in particular the open method of coordination. This involves forms of soft policy cooperation and a process of cross-country evaluation, comparison, and benchmarking. This deliberately builds in a more explicit role for member governments in developing policy propositions, policy designs and in anchoring national policy objectives and reforms to European targets and objectives. Here it could be argued that the EU role is more that of a catalyst or facilitator than that of an architect or designer (Sapir Report 2004). The jury remains out on the success of this approach. A high-level expert group, chaired by the former Dutch prime minister, Wim Kok, was due to report on the Lisbon Strategy in November 2004.

### Policy negotiation

The phase of policy negotiation is crucially important for the exercise of power and influence by member governments within the EU. It is around this phase, mostly played out through the Council and the European Council, including in the many preparatory working groups and high level groups of national officials, that member governments make their most explicit investment of effort to influence the outcomes (Hayes-Renshaw and Wallace 1997). It is towards this phase of policy negotiation that the national coordinating procedures of governments are mainly directed (Kassin *et al.* 2000 and 2001).

The ministerial sessions of the Council constitute the phase of the EU process which is most actively covered by the media and it is here that the nationality labels are placed most explicitly on the policy-influencing and power-projection activities of the member states. However, the many meetings of working groups and committees that prepare the ministerial level of the Council provide the fora for most of the negotiations among officials from member governments on EU policies (Lewis 2002). This indeed constitutes the most active and intensive interface for member governments with the EU system, and it is here that a very large proportion of business is transacted in more or less final form on EU legislation, policy coordination, and funding programmes.

The Council as the regular forum of the member governments can be viewed through different lenses (Wallace 2002). It has different facets or images in different areas of EU policy: (a) as a tandem partnership with the Commission, notably in areas where EU powers are well developed; (b) as a collusive 'club' of governments facing especially new challenges; (c) as a location for persistent competition among member governments; (d) as an arena for 'networked governance'; and (e) as a forum for developing policies through 'intensive transgovernmentalism' in fields where explicit EU powers are not yet developed and hence where the role of the Commission remains modest. The important point to note here is that the Council has multiple roles and multiple personalities, which imply different kinds of behaviour by member governments, a mixture of symbiosis and of tensions. Many would add a sixth image of the Council as a European 'legislature', since it provides, alongside the European Parliament, one of the two main institutional channels for developing EU legislation.

One strand in the reform debate is the call for the Council to be made explicitly and predominantly into a legislative chamber.

Currently the Council is something of a 'black box', since it still meets mostly in secret. This makes it difficult to track in detail the behaviour of member governments and to document how the Council operates as a negotiating forum. Some steps are under way to make the Council more 'transparent', both as regards the release of internal documents and for it to 'meet in public' when operating in 'legislative' mode. Among practitioners within the Council the trend towards greater acceptance for more transparency is quite marked. Let us note, however, that this trend has two different logics. One is the logic of advocating that the Council at ministerial level should be made into something more like a parliamentary chamber for the 'member states'. The other—and quite opposite logic—rests on the view that the formal sessions of the Council are decreasingly the venue for the critical bargains to be struck, since (especially in an enlarging EU) smaller, more intimate and less formal negotiating venues are already being developed, a trend which some practitioners expect to be reinforced.

This latter point reflects another element in the reform debate, namely the charge that the Council has become in many ways an inefficient institution (Wallace and Hayes-Renshaw 2003). The Council suffers from coordination problems and from the segmentation of its work across many different formations of specialist ministers from the member governments. The General Affairs Council, composed traditionally of foreign ministers, was intended to do two different jobs: on the one hand, to develop the external policies of the EU; and, on the other hand, to manage cross-sectoral coordination. It became less and less effective as a coordination body, a development which probably reflects the declining influence of foreign ministers and ministries in national capitals vis-à-vis their colleagues responsible for EU 'domestic' business. Conversely the weight of the Ecofin Council of economics and finance ministers has increased in recent years, partly reinforced by the arrival of economic and monetary union (EMU), but also a reflection of the generally heavy weight of finance ministers within most national governments. The sectoral formations of the Council have different characteristics partly depending on how extensively developed EU powers are in any given policy field. Thus in fields such as agricultural policy the relevant national ministers and officials from the member governments operate as a relatively tight knit club, brought together by their shared functional concerns, although competing with each other for advantage and resources.

The uneven performance of the Council is something of a puzzle. On the one hand it reflects the differing degrees of engagement of national ministers in the EU process, as well as some differences among policy domains. On the other hand, it is a product of the diffuseness of the EU process which has now spread across so many areas of public policy that it is hard for overall control or coordination to be exercised either at the EU level or in national policy coordination in the capitals of the member states. Reform of the Council has become a subject of active discussion, in terms of both formal treaty changes and 'non-treaty' reforms of procedures and practices. Both discussions are ostensibly pushing in the same direction, namely to reduce the number of formations of the Council, to streamline its procedures, to tighten up coordination, and to make it more effective as regards producing outputs. The implication is that a smaller number of leading national ministries from the member

governments should filter and focus the inputs from member governments into the phase of EU policy negotiation and decision. Thus, for reforms in this direction to be effective presupposes that member governments should operate more cohesively and strategically in defining and defending their policy preferences on EU issues.

As noted above, the system used to rest on the assumption that foreign ministries would be able to provide the filtering and focusing mechanisms in the member states, and then transmit the resulting national preferences through the General Affairs Council. Latterly this proposition has been viewed as somewhat unrealistic and instead attention has shifted rather towards heads of government. Broadly at the EU level the European Council has emerged as the forum through which strategic choices are made and highly political bargains are struck (de Schoutheete and Wallace 2002). Specialist groups of ministers in the regular Council sessions are often not able to reach solid agreements without reference to heads of government. In some fields, notably the pursuit of the Lisbon Strategy, a direct policy development role has been assigned to the European Council in its spring meetings. Thus, each 'spring Council' reviews the targets for making Europe the 'most dynamic knowledge-based economy in the world' by 2010. Heads of state or government meet to assess in a form of mutual peer review the progress being made in each member state to embrace structural reforms and to promote innovation, using a range of comparative indicators and test practice. The intention is that good practice should be spread across the Union. This reliance on more intervention from the European Council, a body which meets some four or five times a year, does not provide a consistent and continuous locus of negotiation and decision capacity for the EU. In the discussions of Council reform it is frequently argued that coordination and responsibility for the follow through need to be assigned to 'European' ministers from member governments who are located close to the heart of their governments, perhaps as 'deputy prime ministers'. This again begs questions about the ways in which member governments organize their conduct of EU business.

### Policy legitimization

Once policies are negotiated and agreed in the Council of the EU, they have to be made legitimate and thereby 'ratified' within the member states in order to take effect. This may seem a puzzling comment given the legal autonomy of the EU and given that many decisions are either directly applicable (under the original treaty terminology 'regulations' and certain kinds of 'decisions') or are able in certain conditions to be made directly effective (typically 'directives', occasionally treaty articles as such). However, these formal rules for incorporating EU decisions into the operating practices of the member states tell only part of the story. For EU policies to bite and to be followed through requires that they are 'owned' by the member states, where the relevant actions are needed and that they are legitimated in the domestic systems of the member states. Thus they need to be actively endorsed by member governments and absorbed into the 'normal' procedures and mindsets of domestic policy-making.

There are significant variations in the way member governments address this task, both procedurally and behaviourally. In some member states there is a kind of contract between the national government and the national political class that EU policy positions should be explicitly negotiated and ratified through a formal political

process in some way. Thus, as is well known, Danish ministers negotiate with Danish parliamentarians through both *ex ante* and *ex post* consultations. The implication is that the domestic political class has to give active political assent to what its ministers are doing on its behalf in 'Brussels'. Versions of this occur in other member states, and thus in Finland and Sweden similar parliamentary processes take place around the main policy issues under negotiation in Brussels. Sometimes the consultative net is systematically spread further. In Austria, for example, there are often more broadly based consultations, even negotiations, with a range of domestic societal and economic, as well as political, actors on EU issues. Typically in member states with a federal or devolved system of government regional authorities often are engaged in consultations and sometimes negotiations with their central governments over the development of EU policies. In other cases, however, the management and incorporation of EU decisions into the domestic process rests rather in the hands of the European specialists, consulting as and when appropriate with specialised interests, and often with very little regular engagement of national parliaments.

The issue of political legitimacy has become a key one for the EU and an interesting facet of the reform debate, particularly against the background of survey evidence of public opinion which suggests that ordinary citizens find the EU process remote and difficult to comprehend. Given the considerable variations among member states of political culture, political practice and constitutional organisation, it is hard to envisage EU-wide mechanisms for policy legitimisation. On the contrary, what seem to be needed are national mechanisms and processes that would be more predictable and reliable in providing endorsement for EU policies and policy objectives. This is a concern not only as regards the macro and strategic decisions on major EU policies such as the adoption of the euro or the big budgetary bargains based on periodic negotiations of the 'financial perspectives'. Given that so many policy areas are shared between EU and member states—the development of the Lisbon Strategy is a salient example—it seems important that member states should develop stronger means to legitimate this partnership in shared governance (Sapir Report 2004).

How to do this is not entirely obvious. Observing the ways in which individual member states address this challenge is set to be one of the more interesting windows on the development of the EU over coming years. It was striking that in the aftermath of the negotiation of the Nice Treaty the Laeken Declaration reiterated the call for a greater role for national parliamentarians in the EU process. It is also striking that the European Convention in 2003 failed to find a convincing way of responding to this call, although the summoning of the Convention, with members drawn from national parliaments, was in itself intended as a partial response. More broadly, those who have examined the issues of how to audit the democratic performance of the EU indicate that legitimisation of EU policy-making requires a variety of processes within the member states in order to nest the EU process within the domestic policies of its member states (Lond 2004).

### Policy implementation

It has always been the case that the bulk of EU policy decisions are implemented through agencies of one kind or another in the member states. Although the Commission has responsibilities for executing Council decisions, in only a few

fields does this involve direct administration by the Commission services or its own sub-contracted agencies. Much more commonly, there is either some form of partnership between the Commission and relevant national agencies or the national agencies themselves put EU policies into practice. Occasionally, these latter act only to implement EU policies, as is the case of the intervention agencies for applying the market support arrangements for the common agricultural policy. More commonly national and sometimes subnational agencies absorb the EU dimension of policy into their normal domestic work. It is important to recognize therefore that much of the implementation of EU policy is framed by the regular contours of domestic policy regimes, with variations as a consequence among member states of style and to some extent of substance. Chapter 3 deals with this process in more detail.

Several factors are at work which are altering the ways in which EU policies are implemented within the member states. One of these is the recognition that the central administrative resources of the EU, and especially the Commission, are simply too overstretched to be able to deliver policies directly, especially in an enlarged Union. Thus, notably in the field of competition policy, a shift is under way from direct administration of the EU rules of competition by DG Competition of the Commission to a decentralised form of 'steered network', which involves a division of labour with the national competition authorities.

A second trend is towards forms of contracting out the delivery of public policy, both regulatory and allocative (for some funded programmes) to quasi-autonomous agencies. This trend can be observed both in the member states and in the EU system, as for example in the establishment of food standards agencies for dealing with both standards and risk assessment, or the presence of independent agencies to allocate funding in fields such as research and innovation, or new operating agencies such as Europol and Eurojust. Indeed it is becoming something of a trend in public policy management across Europe for central government machinery to be reduced and for new kinds of agencies to emerge. Thus there is an emerging debate in the EU about how to find the most appropriate mechanisms for delivering public policies (Sapir Report 2003). In some cases both national and EU systems are beginning to acknowledge forms of self-regulation in especially fast-changing areas of market regulation such as financial services.

A third factor at work is the trend, accelerated by the development of the Lisbon Strategy, towards comparison and benchmarking for good and best practices in the delivery of both national and EU policies. The emergence of these techniques, imported from the business community, recognizes the relevance of fitting delivery mechanisms to varied contexts and conditions and the value of some experimentation to achieve good results. Thus, rather than a uniform policy template, a deliberate variety of methods is encouraged.

A fourth factor which is shifting more of the policy implementation away from the Commission is the disturbing evidence of the weaknesses and sometimes abject failings of the Commission as a policy delivery institution. The criticisms of the Santer Commission that erupted in 1998, compounded by the allegation of maladministration by Eurostat in 2003, have eroded confidence in the managerial capacities of the Commission. Such doubts make it even more likely that EU policy implementation is likely to be handled in the future more by decentralized than by centralized mechanisms.

For all of these reasons we are likely to see EU policy implementation more and more explicitly recognized as the responsibility of the member states. Moreover, the new emphasis on benchmarking and so forth implies a recognition of difference in delivery techniques as virtuous, provided the outcome is appropriate. In addition reliance on forms of contracting out to autonomous agencies diffuses responsibilities in such a way that member governments will in some cases (in the regulatory arena, for example) not be able to speak directly for—or instruct—those who implement some EU rules and policies in their countries. The assessment of changing patterns of policy implementation is thus set to become a field that will benefit from careful cross-country comparative research.

### Power and influence in the EU system

It is a core objective of all member governments to exercise influence in support of their preferences within the EU system, and in each member state assessments are made about what are judged to be the most appropriate and effective ways of influencing the outcomes. There are, however, no agreed definitions of the forms of influence—or power—available within the EU and the ways that these are exercised, nor of how to measure their impacts. As has already been indicated, the many points of access for member governments to the EU system provide a range of opportunities for attempts to influence what happens. This section identifies a variety of kinds of influence and influencing techniques that are available. These range from softer techniques of persuasion to harder techniques of coercion. By and large the EU system is characterized more by softer techniques than by the exercise of hard power, a reflection of the character of the EU as a sophisticated form of cooperative multilateral and negotiated governance.

Some rational choice studies of the EU focus on the exercise of member governments' power within the Council of the EU, drawing on various power indices and resting on the assumption that power is expressed through the voting weights, rules, and practices of the Council. Such studies are valuable in drawing our attention to the strategic behaviour of governments, both in building coalitions and sometimes in exercising veto power. Studies of this kind would be more persuasive if the Council routinely took most of its decisions by formal voting. The difficulty is that explicit voting is not the predominant mode of decision. For decisions subject to unanimity voting rules, we can perhaps get a handle on when and how veto power is exercised by individual member governments. Otherwise mostly the voting weights and rules impact indirectly, through implicit voting and apparently consensual methods, on decisions technically eligible for qualified majority voting (QMV). Consequently, we have to find ways of assessing the implicit exercise of power, a much more difficult task.

Many studies analysed the EU in terms of principal/agent relationships. Generally such studies define the member states or governments as the principals, which choose—or sometimes refuse—to delegate tasks to the EU system, with the other actors in the system, usually but not always the Commission, acting as agents of the member states or governments (Pollack 2003). The underlying argument is that

member governments retain the power to choose when and whether to delegate tasks to EU agents, either partially or completely. The freedom to make this choice may, however, be understood differently in different member states. The notion of a go-it-alone alternative may look more plausible for some member states than for others, given that interdependencies are not symmetrical within the EU. Oddly at the extremes both little Luxembourg and large Germany seem locked in to the process of delegation, although for differing reasons. Geographic encirclement does not guarantee acceptance of a compulsion to delegate to the EU—take the example of Switzerland, still self-excluded from the EU—although geographical peripherality may increase the propensity to resist delegation. Britain, Denmark, Greece, and Sweden provide relevant illustrations of this.

One important factor here seems to be how the EU agents are viewed in terms of their trustworthiness by member government principals. Majone (2000; 2001) has written on the relevance of understanding willingness to delegate to the EU collective agents as closely connected to trust. Where the member governments have a high level of confidence in the collective system, they go beyond treating it as an agent and regard it as a repository of trust (a fiduciary). Here we might contrast the fiduciary character—that is to say, the trust dimension—of delegation in some areas of EU policy thus broadly, for example, in the sphere of economic regulation or in the establishment of the euro, with the unwillingness to delegate more than partially in other policy domains.

Monetary policy is an interesting example of contrasting patterns of delegation within the same domain. Monetary policy in the narrow sense of currency management has been pretty much entirely delegated to the European Central Bank, working closely with national central banks, which in turn have been required to become independent of national government controls within their national settings. However, the associated issues of fiscal and budgetary policies have not been delegated to a collective agency. Indeed the Stability and Growth Pact (SGP), intended as a bridge to introduce collective disciplines over national policies, was grievously challenged in November 2003, when member states that were breaching the SGP rules, notably France and Germany, were able to resist the sanctions that the Commission wished to apply.

A further form of power projection by member governments might be by the use of threats and coercion, including, for example, the threat of defection rather than cooperation. Extreme threats of defection are very rare in the history of the EU: only the Gaullist 'empty chair' policy in 1965 and the British 'non-cooperation' policy in 1996 seem to fit into this category. More frequently attempts at coercion are made through assertive issue-linkage, a common negotiating strategy in the Council, that is a government will not agree to X, unless Y is also agreed.

An alternative way of exercising negative power is by the use of the veto on issues that are subject to unanimity rules (that is where 'no-saying' is entirely legitimate under the Council decision rules). Again this is common behaviour, although more frequently used by some governments than others. Interestingly, appeal to the 'Luxembourg compromise' (that is attempts to veto on issues that would otherwise be decided by QMV), is an extremely rare practice, so rare that some commentators—and indeed some practitioners—regard the Luxembourg compromise as a dead letter (Teasdale 1993). The Treaty of Amsterdam introduced the procedure (slightly modified in the Treaty of Nice)



known informally as the 'emergency brake' as a last resort for an isolated member state. As yet we have no working experience of this procedure.

All in all therefore the EU system is relatively free of explicit threats and explicit vetoes other than those legitimately available under unanimity voting rules. What is slightly less clear is why this should be so. One answer is that there is a strong procedural norm of consensus-building, and therefore cooperative games are the typical procedure. Another answer is that member governments exercise influence in more indirect ways which make extreme behaviour mostly redundant. Nonetheless many insiders now argue that the Union system is becoming more vulnerable to explicit threats or vetoes from 'powerful' member governments.

One complicating factor is that the EU rests on a mix of both symmetrical and asymmetrical allocations of formal and informal power to the separate member states. To the extent that the EU operates like either a classical international organization or a formal confederation each member state operates within the EU system on a basis of parity. Thus each member state counts as one when the EU Council reaches decision by either unanimity or simple majority. But for many purposes, notably the weighted voting rule and—until November 2004—the allocation of Commissioners to particular nationalities, power is allocated according to criteria of relative size, population, or under the rules of the European Coal and Steel Community, relative economic stake. These asymmetries have become harder to handle in an enlarging EU in which (especially among the new members) there is a proliferation of smaller countries among the member states. These latter include states a good deal smaller than many Länder or provinces/regions (even cities) in larger member states. The acrimony of the negotiations over treaty changes at the European Council in Nice in December 2000 already suggested that these asymmetries are set to be an increasingly important source of friction within the EU. The breakdown of the GC in December 2003 on the issue of voting weights was further evidence of this friction, although later resolved in 2004. The pressures from the German Länder, and equivalents in some other member states, are another sign of this concern.

### Political weight

Member governments have differing endowments of political weight within the negotiating processes of the EU. Factors that are relevant include: 'objective' factors, such as size, population, or geopolitical position; but also more 'subjective' factors, to do with, for example, historical position, including date of accession to the EU (founders versus late entrants); or centrality to the issues under negotiation (thus militarily engaged countries, such as France or the UK, carry more weight on European defence questions than neutral and non-aligned countries).

### Political practice

How a government behaves as a member of the EU also has an impact. Governments that pursue accommodating and consensus-seeking policies, for example, acquire a kind of peer respect within the system. This is a resource on which governments can call in seeking understanding for their concerns. A capacity for coalition-building

with other 'like-minded' governments is often a valuable tool for reinforcing influence. Conversely governments that operate in a more singular way may extract advantage under unanimity rules, although suffer under QMV if they are outside the coalition system. Member states that pursue tough bargaining strategies may be very effective in conditioning the negotiating environment.

A different aspect of political practice has to do with the 'fit' between domestic political practice and the procedural norms of the EU system. To take an obvious example the Federal Republic of Germany has a polycentric system of government (that is, it has no single centre of power due to a federal system of government and the presence of coalition administrations at both levels) which sits more easily with the EU system than do the political practices of the historically monocentric and single party-dominant governmental system of a country like the UK. German politicians can more easily draw on the experience of cognate domestic political practice in devising ways of influencing the EU process than can their British counterparts. This observation begs the prior question of how far the EU system bears the imprints of the political practices of its member states. Some member states have been more effective than others in 'exporting' their political and policy practices to the EU level. In such cases the process of 'Europeanization' is much more straightforward than for those member states which recurrently find themselves under pressure from the EU system to 'import' new policies and practices. Here we should note that Europeanization needs to be understood not only as a 'top-down' process, whereby European influences are transmitted from the EU level into the domestic political processes of the member states. Europeanization is also a 'bottom up' process, whereby domestic factors condition and shape the opportunities for and the character of European policy regimes (see also Chapter 3).

### Economic weight

Economic weight also affects the influence that a member government can wield in the development of EU policies. Here again Germany provides the key illustration. In overall terms Germany has been by a margin (and was even before unification) the largest national economy within the EU, a factor which gives added pertinence to the German voice or voices in EU negotiations. Both on issues affecting the development of macro-economic or monetary policies and on topics relating to particular economic sectors, German concerns compel attention. It is not only that in broad terms Germany is the largest economy, but also that Germany is the first trade partner of every other EU member state (to the extent that national economies are a meaningful concept in today's interdependent world). Similarly for a variety of reasons Germany is by far the largest net contributor to the EU collective budget,<sup>1</sup> and hence German opinions on EU expenditure issues tend to be taken very seriously in EU decision-making. In the fierce argument about the economic Stability and Growth Pact the combined economic and political weight of Germany and France led in November 2003 to a suspension of the sanctions that should have been imposed.

<sup>1</sup> The Netherlands has, however, become the largest 'contributor' to the EU budget in terms of amounts per capita of the population.

### Social and economic practice

Influence through example is one of the assets on which a member government may be able to draw in developing an argument within the EU. Thus—to take two recent examples—Irish ministers are able to point to the apparent success of the Irish social partnership model as one of the contributory causes of Ireland's recent economic performance. Similarly, Finnish ministers are well placed to argue convincingly from their experience of technological innovation. The ability to deploy arguments grounded in observable practice within a particular member state has always conferred advantage. In a period where cross-country comparisons have become an explicit policy tool for the EU the weight of reported practice has become much more important.

### Persuasive ideas

Ideas count as well as practice—and the ability to turn practice into a framing concept can be particularly valuable. The rectitude of 'sound money', derived from West German monetary policy, became the persuasive idea in the development of the case for EMU. Some years earlier it had been the British government's ideas about market liberalization that had framed what became the single European market. The notion that broader international trade liberalization was virtuous as a governing idea had been rooted even earlier from the persuasive arguments of the more liberally minded among the EU governments. The flanking of the single market by elements of redistribution or 'cohesion' policies gained credence from the persuasive ideas of some governments, which set the frame for policy development. In none of these cases were the persuasive ideas solely sourced from the arguments or the experience of individual governments. But the advocates of each of these policies, often in the Commission or in other institutions, were able to draw persuasive ideas out of the arguments of individual governments in order to give more impetus to policy proposals. Many of the principles of EU jurisprudence were borrowings from the experience of one or other member state.

### Compelling demands

A different kind of impetus for EU policy development has come from compelling demands from one or another member government, sometimes more, sometimes less harshly stated. The term 'demandeur' is a frequent epithet used in descriptions of bargaining, especially on distributional issues. The British were 'demandeurs' of budgetary equity, as the French had been of 'financial solidarity' (that is common financing) for the common agricultural policy. These are both examples of strong demands on critical issues of huge importance for the development of EU regimes. At a more micro level member governments may be able to argue that something is an essential requirement to address a specific domestic concern or external requirement. Take the history of the EU banana regime as an example of a series of compelling needs from several member governments producing in this case an awkward and costly collective policy (Stevens 2000). In addition the ability to project specific

national concerns as compellingly important (domestic elections are often an irresistible pretext) is part of what produces a pattern of Council negotiations with a log-rolling character.

### Credibility and consistency

The various bases for influence from which member governments can argue their cases illustrate a mixture of shorter and longer term considerations. By and large a member government's scope for influencing EU policy and political outcomes is cumulative over time, although governments can be extractive on individual issues depending on the contingency of the moment. More importantly factors of influence developed and deployed iteratively over time make a difference to the credibility of a government's overall policy stance and political approach to the EU. A degree of predictability makes a government a more credible interlocutor—both for good and for ill. Governments acquire reputations as more or less consensus-minded in general, or as, for example, more or less liberal or protection-minded on issues of regulation and trade, and similarly advocates of one or other position on recurrent generic issues.

How consistent or predictable a government is depends on both its behaviour within the relevant EU fora and on how domestic policy-making operates on EU issues. Here we should note that there are considerable variations in the ways that individual governments coordinate national European policies, with many different factors both of domestic practice and of European policy preferences impinging on the domestic process (see also Chapter 12). As a general observation we can note that these domestic patterns become deeply embedded over time, creating national path dependencies of policy development and of negotiating styles. To take a current example—the British Labour Government elected in 1997 developed some very different European policy aims from those of its predecessors. It has, however, proved difficult in practice to move away from deeply ingrained habits of policy management and policy projection.

Britain presents a particularly sharp example because so much of a premium has been put in the British system on attempting to craft and to sustain an overall interdepartmental and nationally unified policy. In some other member states policy is defined more permissively, allowing more room for individual branches of government to pursue their more specialized policy preferences. Thus by and large the credibility and predictability of British policy has historically been judged both in the UK and elsewhere in the EU on the assumption that there was a more or less monolithic British approach. Germany offers a clear contrast, with its much more decentralized policy process, both in [Bonn] Berlin and between Bund and Länder. This more decentralized process, however, has made individual German policy positions harder for other partners to predict. There is a danger here that national policies become vulnerable to caricature. Thus to revert briefly to the British case—actually British European policy has become more polycentric, both because of territorial devolution and because there have been changes in the balance of influence between British ministries, as well as differences in the influence of particular British ministries on EU policy developments.

We should note here that the segmentation of work in EU institutional practice (both Commission and Council) lends itself to a fragmentation of policy inputs from

individual member governments. It provides opportunity structures for individual ministers and groups of ministers to develop their own EU clubs, as in the case of agriculture or the environment. The sectorialization of the process aggravates coordination problems at both EU and member state levels. As was noted earlier attempts are being made to reform the Council in order to counteract this sectorialization. On the other hand the trend towards greater decentralization of policy delivery may tend to retain the forces of fragmentation within the EU system.

### Drawing comparative conclusions

First and foremost, it is a rational and logical objective for all member governments to maximize their influence on the shaping of Union policies and on the way in which agreed policies are applied within their countries. Governments are often all responsible to their domestic electorates for their performance in office. However, some governments define their objectives in a singular way, that is taking a narrow and focused view of their interests, while others situate their particular objectives within a range of more collective interests.

Second, there are clear differences across countries and over time among member governments in the extent to which they influence the outcomes of EU bargaining. Here we need constantly to bear in mind that these differences may be of two quite different kinds. One relates to the strategies, tactics and skills which individual governments are able to deploy in pursuing their objectives—some are more effective, others less so, in persuading the Commission or partner governments to accept their arguments. However, the other source of differences has to do with the substance of the issues being negotiated. Thus of course governments seek to tailor Union policies in order to achieve a good fit with their domestic economic characteristics or with deeply embedded societal or political circumstances.

Third, the Union system provides multiple and iterative opportunities for each member government to exercise its voice—or voices—in shaping Union policies. These opportunities are continuously proliferating, as the agenda of Union policy-making extends, and as new fora are added for developing dialogue and bargaining among member governments and within the EU institutions. This proliferation of fora has made it harder and harder for gatekeepers in individual governments to act as filters or to provide authoritative coordination. Thus the Union's system risks becoming increasingly fragmented and individual governments find themselves increasingly challenged by the range of Union processes. We can observe large contrasts between member states in the ways in which their governments respond, as subsequent chapters in this volume reveal.

Fourth, however, the Union is in some senses not a stable system. Changes in membership, not least with the enlargement of 2004, necessarily provoke changes in the practices of the Union. These efforts at reform are in turn a matter of contestation, as was clear in late 2003 when the IGC negotiating the proposed constitutional treaty failed to reach agreement on key proposals. Thus in examining the workings of the Union and the behaviour of member governments we need to keep open minds

on the patterns of evolution. There are cross-cutting tensions between, on the one hand, pressures to simplify and to consolidate the way the Union works, and, on the other hand, persisting differences among the member states in their preferences as to the design of the Union.

### Further reading

Useful context to understanding EU-member state relations is provided by exploring the EU from other perspectives, including its policy process (Wallace and Wallace 2000; Wallace, Wallace and Pollack 2005 edition forthcoming) and its institutions (Peterson and Shackleton 2002). The Council is the institution to which member government's efforts at power and influence are directed (see, for instance, Hayes-Renshaw and Wallace 1997; new edition forthcoming). Comparative studies of how member states interact with the EU are offered by Kassim *et al.* (2000; 2001) and Wessels, Maurer, and Mittag (2003).

### Weblinks

There are few if any websites dealing directly with the analytical concerns of this chapter. However, since member governments' access to the EU is predominantly through the Council, a familiarity with its site is worthwhile <<http://www.ue.eu.int>>. Many suppliers of commentary on developments in Brussels offer websites that require subscription or some form of registration, so are not listed here. One site that is on open access at the time of writing is [EurActiv.com](http://www.euractiv.com) <<http://www.euractiv.com>>, which has a useful set of links on governance.

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## Chapter 3

# Europeanization: How the European Union Interacts with its Member States

Tanja A. Börzel

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### Summary

The chapter reviews the 'state of the art' of the Europeanization debate. It explores three key aspects of Europeanization: the dimensions, mechanisms, and outcomes of domestic impact. While by now most students of the European Union agree that the effect of Europeanization on the member states is not uniform but differential, there is still little consensus on how to account for variation in the processes, degrees and the outcomes of domestic change. Nor has much attention been paid to how the member states have responded to the increasing effect of the European Union on their domestic institutions, policies and political processes. The chapter concludes with some considerations on how to conceptualize the feedback loops between 'top-down' and 'bottom-up' dynamics in the relationship between the EU and its member states.

## Introduction

This chapter seeks to identify concepts and theories to analyse and explain the relationship between the member states and the European Union. The empirical studies in Parts 2 and 3 of this volume provide ample illustration of how member states try to shape European institutions and policies and how European processes and outcomes feed back on the domestic institutions, policies, and political processes of the member states. While acknowledging that the relationship between the member states and the European Union is an interactive one, most attention is focused on one side of the equation. European level processes are 'bracketed', (that is taken as fixed, to analyse their effects at the member-state level or vice versa).

For a long time, European studies have been mostly concerned with the 'bottom-up' dimension of the EU-member state relationship exploring the role of the member states in the European institution-building process. In recent years, however, there has been a growing body of 'top-down' analysis of the effect of the evolving European system of governance on the member states (Marks, Hooghe, and Blank 1996; Cowles, Caporaso, and Risse 2001; Goetz and Hix 2000).<sup>1</sup> A comprehensive understanding of the relationship between the member states and the European Union requires the systematic integration of the two dimensions. Nevertheless, this chapter will mainly adopt a top-down perspective looking at how the European Union has affected the member states and to what extent it has changed their domestic institutions,

policies and political processes. More specifically, three questions will be addressed:

- (1) Where does the European Union affect the member states (dimensions of domestic change)?
- (2) How does the European Union affect the member states (mechanisms of domestic change)?
- (3) What is the effect of the European Union on the member states (outcome of domestic change)?

The chapter will review existing analyses and their different insights into each of the three questions. The chapter will conclude with reflections on how to conceptualize the feedback loops between 'top-down' and 'bottom-up' dynamics in the relationship between the EU and its member states.

## From bottom-up to top-down

For decades, research in the field of European Studies adopted a 'bottom-up' perspective in analysing the relationship between the European Union and its member states (see also Bulmer and Lequesne in this volume). The literature was mainly concerned with how to conceptualize and explain processes and outcomes of European integration. Theoretical debates were dominated by two competing paradigms of European integration that significantly disagree on the role that member states play at the European level (for the intellectual history of the debate see, for example, Caporaso and Keeler 1993). Intergovernmentalist approaches take the member states and their governments as the main agents driving European integration and policy-making to protect the geopolitical interests and the economic concerns of their constituencies (Hoffmann 1982; Taylor 1991; Moravcsik 1991; 1998). Neofunctionalism and multi-level governance approaches, by contrast, privilege domestic interests (such as business associations, trade unions, and regions) that press for further integration to promote their economic or political interests, as well as supranational actors (particularly the European Commission and the European Court of Justice) that seek to increase the power of European institutions over the member states (Haas 1958; Sandholtz and Stone Sweet 1998; Hooghe and Marks 2001).

In the 1990s students of European integration became increasingly interested in the impact of European processes and institutions on the member states (see also Bulmer and Lequesne in this volume). The first studies focused on the consequences of European integration for the autonomy and authority of the member states. In order to theorize the domestic impact of Europe, the explanatory logics of the two major paradigms of European integration were essentially turned around. If intergovernmentalist approaches were correct in assuming that member-state governments controlled European integration while supranational institutions themselves exercised little independent effect, the power of the member states would not be challenged. Rather, European integration should enhance the control of national governments over domestic affairs since it removed issues from domestic controversy into the arena of executive control at the European level (Milward 1992; Moravcsik 1994).

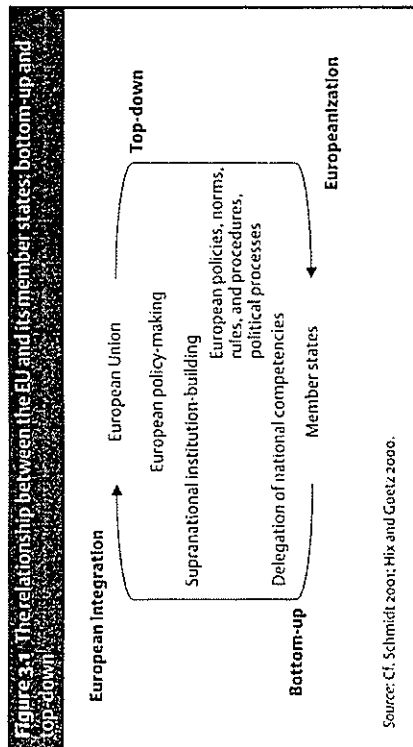


Figure 3.1 The relationship between the EU and its member states: bottom-up and top-down

<sup>1</sup> Part of the literature refers to the effect of the European Union on the member states as 'Europeanization' (Ladrech 1994; Kadaelli 2000). Others reserve the term 'Europeanization' for the 'emergence and the development at the European level of distinct structures of governance' (Risse, Cowles, and Caporaso 2001: 1). On the various concepts of Europeanization see Börszel and Risse (2001); Olsen (2002).

Proponents of neofunctionalist or supranationalist approaches suggested exactly the opposite, namely that the European Union provided domestic actors, such as regions and interest groups, with independent channels of political access and influence at the European level enabling them to circumvent or bypass their member states in the European policy process (Marks 1993; Marks, Hooghe, and Blank 1996; Sandholtz 1996). Between the two competing paradigms, a third group of scholars emerged that rejected the zero-sum game conception of the relationship between the EU and its member states, in which one level was to be empowered at the expense of the other. They argued that the different levels of government would become increasingly dependent on each other in European policy-making. As a result, European integration would neither strengthen nor weaken but transform the member states by fostering the emergence of cooperative relationships between state and non-state actors at the various levels of government (Kohler-Koch 1996; Rhodes 1997; Kohler-Koch and Eising 1999).

Despite a general disagreement on the concrete impact of European integration, most of the earlier studies expected to see some kind of convergence among the member states either leading to more centralization, decentralization, or cooperation in the national political systems. Such convergence was to result from a redistribution of power resources among national governments, and domestic actors, with some gaining new opportunities to pursue their interests and others being constrained in their action capacities (Börzel 2002b: 18–22). Yet, empirical studies on the domestic impact of Europe found little evidence for convergence. Moreover, they identified alternative mechanisms of domestic change that worked through the internalization of new norms, rules, and shared practices rather than changes in political opportunity structures (Mény, Muller, and Quermonne 1996; Cowles, Caporaso, and Risse 2001).

Integration theories are inadequate to account for the differential impact of Europe on the member states. Their major concern has been to explain the dynamics and outcomes of the European integration process rather than its domestic effects, which appear to fall more into the realm of comparative politics and public policy. The European Union was traditionally seen as the preserve of international relations. But with the establishment of the Single Market and the European Monetary Union propelling the delegation of domestic competencies to the European level, the disciplinary boundary became increasingly porous (Risse-Kappen 1996; Hix 1999). Comparativists could no longer ignore the effects of the European Union on the domestic institutions, policies, and political processes of the member states. As we will see in the following sections, comparative politics and public policy offer a more fine-grained analytical toolkit for the task in hand. Unlike international relations theory, these branches of political science are better suited to trace processes and outcomes of domestic change as a consequence of European integration and EU policy-making.

## Studying the effect of the European Union on the member states

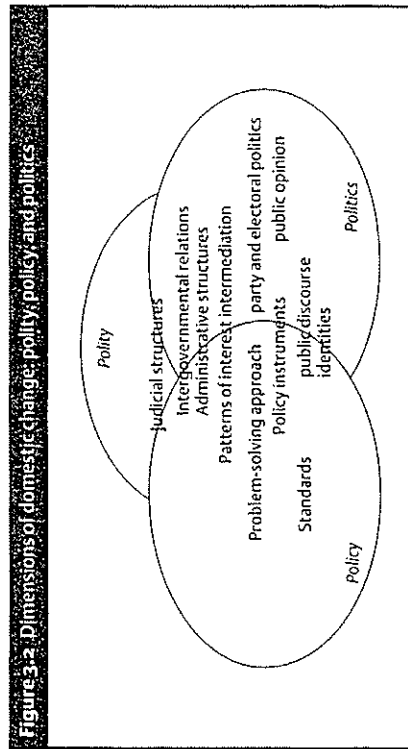
### Dimensions of domestic change

The analytical tool box of comparative politics and public policy provides three main categories, which allow to analyse the effect of the European Union on its member states and to trace processes of domestic change: policy, politics, and politics (see Bulmer and Lequesne in this volume).

While it is useful to analytically distinguish between the three dimensions of domestic change, reality is more complex. European policies, processes, and institutions tend to affect not only one but two or all three dimensions. Domestic policy changes, for instance, often have broader repercussions since problem-solving approaches and policy instruments are closely linked to legal and administrative structures and patterns of interest intermediation (Héritier *et al.* 2001; Knill 2001).

### Mechanisms of domestic change

The literature has identified several mechanisms through which Europe can affect the member states. Christoph Knill and Dirk Lehmkuhl distinguish between *institutional compliance*, where the EU prescribes a particular model which is 'imposed' on the member states, *changing domestic opportunity structures*, which leads to a redistribution of resources between domestic actors, and *policy framing*, which alters the beliefs of domestic actors (Knill and Lehmkuhl 1999; Knill 2001; on framing see also Radaelli 2000; Kohler-Koch 1996). Others emphasize *judicial review* (that is the right of any affected party to challenge deficient implementation of Community Law before national courts) (Weiler 1991; Conant 2001). A more indirect mechanism of domestic change is *regulatory competition*, triggered by the dismantling of trade barriers, which



provides firms with exit options from national jurisdictions (Sun and Pelkmans 1995; Kenner and Teutsch 2001).

The different causal mechanisms of domestic change can be grouped around two theoretical approaches that draw on different strands of neo-institutionalist reasoning: rationalist institutionalism and sociological institutionalism. There is a third body of literature that has been referred to as 'organizational ecology'. While it will be discussed separately, I will argue that the theoretical arguments can be largely subsumed under the other two approaches. The three approaches pose different propositions on when and how Europe affects the member states and what the consequences are (see Figure 3-7).<sup>2</sup> Yet, they share two major assumptions:

1. The impact of Europe on the member states is differential (i.e. varies across member states and policy areas).
2. The differential impact of Europe is explained by the 'goodness of fit' between European and national policies, institutions, and processes, on the one hand, and the existence of 'mediating factors' or intervening variables that filter the domestic impact of Europe, on the other hand.

*Inconvenient Europe: misfit as the necessary condition of domestic change*

Irrespective of the theoretical approach chosen, most studies find that there must be some 'misfit' (Börzel 1999; Duina 1999) or 'mismatch' (Héritier 1996) between European and domestic policies, processes, and institutions. The 'goodness of fit' (Risse, Cowles, and Caporaso 2001) or congruence between the European and the domestic level determines the degree of pressure for adaptation generated by Europeanization on the member states. Only if European policies, institutions, and/or processes differ significantly from those found at the domestic level, do member states feel the need to change. *The lower the compatibility between European and domestic processes, policies, and institutions, the higher is the adaptational pressure Europe exerts on the member states.*

There are two types of misfits by which Europe exerts adaptational pressure on the member states. First, European policies might cause a 'policy misfit' between European rules and regulations, on the one hand, and domestic policies, on the other (cf. Héritier, Knill, and Mingers 1996; Schmidt 2001; Börzel 2003). Here, policy misfits essentially equal compliance problems. European policies can challenge national policy goals, regulatory standards, the instruments used to achieve policy goals, and/or the underlying problem-solving approach. Member state resistance to adapt domestic policies usually results in violations against European legal requirements (Börzel 2003). Policy misfit can also exert adaptational pressure on underlying institutions and political processes.

Second, Europe can cause 'institutional misfit' challenging domestic rules and procedures and the collective understandings attached to them.<sup>3</sup> European rules and

<sup>2</sup> The following two sections draw on Börzel and Risse 2001, 2003, and Börzel 2002b; see also Risse, Cowles, and Caporaso 2001; Hix and Goetz 2000; Héritier et al. 2001.

<sup>3</sup> For a more fine-tuned definition, which breaks institutional misfit down into three sub-categories (constitutional, cultural, and functional) see Hansen and Scholl 2002. Others have distinguished between misfit concerning the core as opposed to the periphery of domestic institutions (Knill and Lenschow 2001a; Knill 2001).

procedures, which give national governments privileged decision powers vis-à-vis other domestic actors, conflict with the territorial institutions of highly decentralized member states which grant their regions autonomous decision powers (Börzel 2002b). The accessibility of the European Commission for societal interests challenges the statist business-government relations in France and the corporatist system of interest mediation in Germany (Cowles 2001). Europe might even threaten deeply collective understandings of national identity as it touches upon constitutional principles such as state sovereignty (Risse 2001; Checkel 2001). The degree of institutional fit has also implications for the 'bottom-up' dimension of the EU-member state relations. Thus, Bulmer and Katzenstein argue that the congruence in 'constitutional order', 'norms and conventions', and patterns of sectoral (or 'meso-level') governance between Germany and the EU has allowed Germany to play a leading role in shaping supranational institution-building and the making of European policies (Bulmer 1997; Katzenstein 1997). This, they have argued, has in turn reduced adaptational pressures on its domestic institutions, processes and policies, creating a kind of virtuous circle. While these findings have been contested (Risse, Cowles, and Caporaso 2001; Héritier et al. 2001; Börzel 2003), they point to an important feedback loop between top-down and the bottom-up processes to which I will return in the concluding section.

Some studies have questioned the explanatory power of the goodness of fit. First, Knill and Lehmkuhl argue that the relevance of misfit is limited to the EU's market-correcting policies, such as environmental regulations, which positively prescribe or impose a concrete model for domestic compliance. Market-making policies, by contrast (for example transport liberalization) would leave the member states too much flexibility and discretion in order to exert pressure for adaptation; instead they would provide domestic actors with new opportunities for achieving domestic reforms (Knill and Lehmkuhl 1999; Schmidt 2001). Yet, a European policy can only empower domestic actors if there is a certain misfit with domestic regulations. Accordingly, it is not only 'integration through law' that can produce misfit at the domestic level. Softer forms of integration in the 'shadow of law' or 'without law', such as the Open Method of Coordination (OMC) (Héritier 2002), may equally challenge domestic institutions, policies, and processes inducing processes of social learning (Dyson 2003), or empowering domestic reform coalitions (Anderson, K. 2002).

Secondly, Héritier et al. criticize the static perspective, which ignores that the goals of goodness of fit may change over time depending on the stage of the national policy process. Even if European policies initially fit domestic regulations, they may empower domestic actors to introduce changes that go against European requirements resulting in 'ex-post' misfit. For instance, France had already deregulated its transport sector when it met the EU demands for liberalization. But the latter strengthened those domestic actors that pushed for re-regulating the impact of liberalization in order to safeguard public interest goals (Héritier et al. 2001). The French case may indeed call for a more dynamic perspective that looks at the relation between the EU and its member states over time rather than taking a snapshot picture at a given point of time (Goetz 2000; Risse, Cowles, and Caporaso 2001). Such a dynamic perspective would also allow to account for the recursive dimension of the domestic impact of Europe, where member states respond to European pressures by trying to (re)shape European policies and institutions in order to reduce the misfit (see below).

A third criticism, finally, focuses on the fragility of domestic institutions. If they are in a performance crisis or in endogenous transition, domestic institutions may not be

sufficiently robust in order to be challenged by European policies, processes, and institutions (Mortino 1999; Knill and Lenschow 2004a). This applies, in particular, to the Southern European member states and the Central and Eastern European accession countries, where EU membership has been associated with institution-building rather than institutional change. Nevertheless, domestic actors are socialized into new norms and values redefining their identities. Similarly, EU accession may provide new resources (money, expertise, ideas, legitimacy) that empower domestic actors to overcome crisis and shape the transition process, respectively (Grabbe 2003).

Most studies take misfit only as a necessary condition of domestic change. They identify intervening variables that mediate between European pressures for adaptation and member state responses. Depending on the theoretical approach chosen, however, the literature emphasizes different 'mediating factors'.

#### The domestic impact of Europe: redistributing resources

Resource-dependency approaches are usually based on some sort of rationalist institutionalism, which assumes that actors are rational, goal-oriented, and purposeful (cf. Hall and Taylor 1996). Rational actors follow a 'logic of consequentialism' (March and Olsen 1989; 1998) in the sense that they have a fixed and ordered set of preferences and they act instrumentally in order to maximize their expected utilities by deploying the resources at their disposal. As any individual or corporate actor is dependent on others to achieve his or her goals, actors have to exchange their resources to produce desired outcomes. The resource exchange is based on the mutual assessment of resources, strategies, and interests. Actors will engage in strategic interaction using their resources to maximize influence over outcomes, while trying to become as little dependent as possible on the others with whom they interact. The strategy by which actors seek to maximize their utilities, (that is the decision with which actors they exchange what kind of resources), depends on the availability and relative value of their own resources, as well as the estimated value of the resources and the anticipated exchange behaviour (interests and strategies) of others.

Rationalist institutionalism views social institutions, including the EU, as external constraints on the behaviour of actors with given identities and preferences. From this perspective, Europe is largely conceived as an emerging political opportunity structure which offers some actors additional legal and political resources to exert influence, while severely constraining the ability of others to pursue their goals (Héritier *et al.* 2001; Hix and Goetz 2000; Kohler-Koch and Eising 1999). Such changes in the political opportunities and constraints for domestic actors can result in a redistribution of resources among them, empowering some over others. The 'differential empowerment' may not only alter domestic institutions but also change domestic policies and political processes.

While earlier works suggested that European integration favours particular groups of domestic actors (e.g. governments) over others (e.g. regions and interest groups), or vice versa (see above), empirical evidence clearly shows that the effect of the European political opportunity structure varies significantly. For instance, while French firms gained more autonomy vis-à-vis their national government by circumventing them in the European policy process (Schmidt 1996), Spanish firms did not (Aguilar Fernandez 1993). The Italian regions have been far less able to

ascertain their domestic power vis-à-vis the central state than their Austrian or British counterparts (Jeffery 1997).

The European political opportunity structure only leads to a redistribution of resources and differential empowerment at the domestic level if, first, there is considerable misfit, which provides actors with new opportunities and constraints. And second, the literature has identified two mediating factors that influence the capacities of domestic actors to exploit new opportunities and avoid constraints with opposite effects: *multiple veto players* and *facilitating formal institutions*.

Despite the pressure to adapt 'misfitting' domestic institutions and policies to European requirements, the existence of *multiple veto points* can empower domestic actors with diverse interests to avoid constraints and, thus, effectively inhibit domestic adaptation (Tsebelis 1995; Haverland 2000; Héritier *et al.* 2001). The more power is dispersed across the political system and the more actors have a say in political decision-making, the more difficult it is to foster the domestic 'winning coalition' necessary to introduce changes in response to Europeanization pressures. A large number of institutional or factual veto players thus impinges on the capacity of domestic actors to achieve policy changes and qualifies their empowerment. The European liberalization of the transport sector, for example, empowered societal and political actors in highly regulated member states, which had been unsuccessfully pushing for privatization and deregulation. But while the German reform coalition was able to exploit European policies to overcome domestic opposition to liberalization, Italian trade unions, and sectoral associations successfully blocked any reform attempt (Héritier *et al.* 2001).

Existing *facilitating formal institutions* can provide actors with the resources necessary to exploit European opportunities and thus promote domestic adaptation (Risse, Cowles, and Caporaso 2003). These resources may be material, such as utilizing European funding to facilitate change, or ideational, such as importing ideas prevalent in the EU to the same end. The European political opportunity structure may thus offer domestic actors additional resources. But they are not able to deploy them when they lack the necessary action capacity. Direct relations with European decision-makers provide regions with the opportunity to circumvent their central government in European policy-making. But many regions do not have sufficient resources (manpower, money, expertise) to be permanently present at the European level and, thus, to exploit the new opportunities. In the UK, public agencies and related complementary institutions helped women's organizations with the means to use EU equal pay

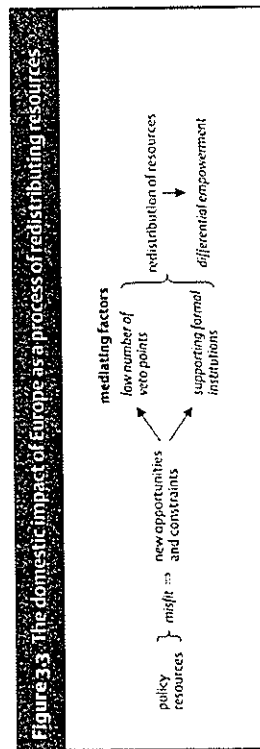


Figure 3. The domestic impact of Europe as a process of redistributing resources



and equal treatment directives in furthering gender equality. In the absence of such a formal institution, French women were not able to overcome domestic resistance to implement the EU equal pay and equal treatment policies (Caporaso and Jupille 2001; Tesoka 1999).

A low number of veto points and the existence of facilitating formal institutions determine whether policy and institutional misfit lead to a redistribution of resources and the differential empowerment of domestic actors as a result of which domestic processes, policies, and institutions get changed.

*The domestic impact of Europe as a process of socialization*

Socialization approaches draw on the sociological strand of neo-institutionalism, which contrast the rationalist 'logic of consequentialism' with a constructivist 'logic of appropriateness' (March and Olsen 1989; 1998). According to this logic, actors are guided by collectively shared understandings of what constitutes proper (i.e. socially accepted) behaviour in a given rule structure. Such collective understandings and intersubjective meaning structures strongly influence the way actors define their goals and what they perceive as rational action. Rather than maximizing their subjective desires, actors seek to 'do the right thing' (that is, to fulfil social expectations in a given situation). For example, it would be rational for a commuter who is exhausted after a long working day to keep his or her seat on the train ride home. However, most people probably yield their seat to elderly or pregnant women because this is what 'good citizens' are expected to do.

For sociological institutionalism, institutions do not simply regulate actors' behaviour by providing opportunities and constraints. They constitute actors by giving them a fundamental understanding of what their interests are and what the appropriate means may be to pursue these interests. Actors do not adhere to institutional norms and rules as a matter of choice but internalize them, take them for granted and follow them out of habit. From this perspective, European institutions are more than a political opportunity structure. They entail new rules, norms, practices, and structures of meaning, which the member states have to incorporate. Domestic actors are socialized into European norms and rules of appropriateness through processes of persuasion and social learning and redefine their interests and identities accordingly (cf. Checkel 1999a). This perspective generates expectations about the differential impact of Europeanization, since 'misfit' constitutes the starting condition of a socialization process. The more European norms, ideas, structures of meaning, or practices resonate (fit) with those at the domestic level, the more likely will they be incorporated into existing domestic institutions (Olsen 1996: 272) and the less likely they are to produce domestic change. The idea of cooperative governance emulated by the European Commission fits German cooperative federalism but challenges statist policy-making practices in Italy and Greece (Kohler-Koch 1998a). Yet, cognitive or normative misfit does not necessarily result in domestic change. Domestic actors and institutions often resist change despite significant pressure for adaptation.

Again, two mediating factors account for the degree to which misfit leads to processes of socialization by which actors internalize new norms and develop new identities: *norm entrepreneurs* and *cooperative informal institutions*.

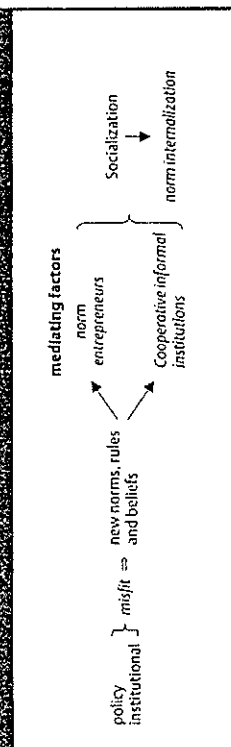
*Norm entrepreneurs* mobilize at the domestic level to persuade actors to redefine their interests and identities in light of the new norms and rules by engaging them

in processes of social learning. There are two types of norm- and idea-promoting agents. *Epistemic communities* are networks of actors with an authoritative claim to knowledge and a normative agenda (Haas 1992). They legitimate new norms and ideas by providing scientific knowledge about cause-and-effect relationships. In case of the single currency, the coalition of central bankers and national technocrats successfully advocated a monetarist approach which produced dramatic changes in domestic monetary policy, even in countries such as Italy and Greece which had to undergo painful adaptation (Dyson and Featherstone 1999; Radaelli 1998). *Advocacy or principled issue networks* are bound together by shared beliefs and values rather than by consensual knowledge (Keck and Sikkink 1998). They appeal to collectively shared norms and identities in order to persuade other actors to reconsider their goals and preferences. Such processes of complex or 'double-loop' learning (Agyris and Schön 1980), in which actors change their interests and identities as opposed to merely adjusting their means and strategies, occur rather rarely. While persuasion and social learning are mostly identified with processes of policy change, they can also have an effect on domestic institutions. As Checkel argues, Germany underwent a profound and constitutive change of its citizenship norms resulting from a learning process instigated by an advocacy network (Checkel 2001). And Kohler-Koch shows how the European Commission as an 'ideational entrepreneur' seeks to socialize domestic actors into new practices of cooperative governance by involving them in the formulation and implementation of European policies through transnational networks (Kohler-Koch 1999; Kohler-Koch et al. 1998b).

A cooperative political culture and other *cooperative informal institutions* are conducive to consensus-building and burden-sharing. Informal institutions entail collective understandings of appropriate behaviour that strongly influence the ways in which domestic actors respond to Europeanization pressures. First, a consensus-oriented or cooperative decision-making culture helps to overcome multiple veto points by rendering their use for actors inappropriate. Cooperative federalism prevented the German Länder from vetoing any of the European Treaty revisions, which deprived them of core decision powers (Börzel 2002b). Likewise, the litigational culture of Germany encouraged its citizens to appeal to national courts for the deficient application of Community Law, while such a culture was absent in France where litigation is much lower (Conant 2001). Secondly, a consensus-oriented political culture allows for a sharing of adaptational costs, which facilitates the accommodation of pressure for adaptation. Rather than shifting adaptational costs upon a social or political minority, the 'winners' of domestic change compensate the 'losers'. The consensual corporatist decision-making culture in the Netherlands and Germany facilitated the liberalization of the transport sector by offering compensation to the employees as the potential losers of the domestic changes (Héritier et al. 2004). Likewise, Vivien Schmidt shows that a particular discourse may also enhance the capacity of domestic actors to impose or negotiate adaptations to European requirements (Schmidt 2000). Cognitive arguments about the logic and necessity of new policies and institutional change serve relevant actors to legitimate costly adaptations and increase their acceptance. While an 'ideational discourse' facilitates the adoption of reform decisions, 'interactive discourse' helps to communicate these decisions to the general public.

A recent study looking at the domestic impact of Europe on the German parliament argues, however, that cooperative informal institutions may impair rather than

Figure 3.4 The domestic impact of Europe as a process of socialization



facilitate domestic change. The 'permissive consensus', which has existed in the Federal Republic of Germany since the late 1950s, when all major parties had coalesced around both the economic and political dimension of the European integration project, has prevented the German parliament from adapting its scrutiny procedures to the requirements of European policy-making and from making effective use of their participatory rights (Hansen and Scholl 2002). While the argument is plausible, it refers to a *substantive* pro-integrationist consensus among German elites rather than collectively shared understandings and beliefs (informal institutions) about cooperation and consensus-seeking as appropriate behaviour in public policy-making.

The existence of norm entrepreneurs and cooperative informal institutions affects whether European ideas, norms and the collective understandings, which do not resonate with those at the domestic level, are internalized by domestic actors giving rise to domestic change.

#### The domestic impact of Europe as a process of institutional adaptation

Institutional adaptation draws on organizational theory. It refers to the 'long-term substitution of existing practices and structures with new ones' (Olsen 1997: 159). Organizational theory identifies different causal mechanisms through which institutional adaptation can evolve. Like socialization approaches, institutional adaptation adopts a sociological institutionalist understanding of actors' behaviour and the nature of institutions (Powell and DiMaggio 1991). But its explanations follow a more structuralist reasoning emphasizing processes of institutional isomorphism. Institutions that frequently interact, are exposed to each other or are located in a similar environment develop similarities over time in formal organizational structures, principles of resource allocation, practices, meaning structures, and reform patterns (DiMaggio and Powell 1991; Meyer and Rowan 1991). This poses serious problems in explaining variation in institutional adaptation to a similar environment.

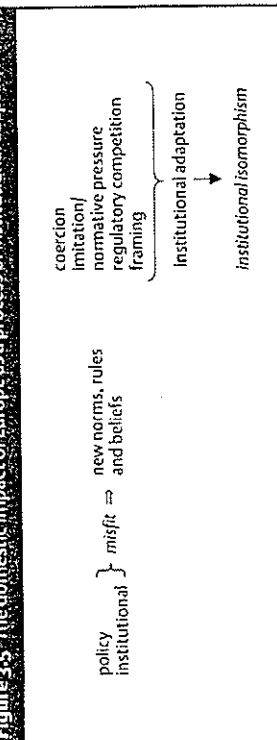
Some sociological institutionalists have addressed this problem by pointing at the 'inefficiency of history' in matching institutional practices and structures to environments and reforms (March and Olsen 1989: 54–6, March and Olsen 1995: 40–4). Institutions develop robustness towards changes in their functional and normative environments. First, institutional adaptation is path dependent. Existing institutions are not simply to be replaced or harmonized with new rules, norms, and practices. Profound and abrupt transformation, with a sudden elimination and replacement of established practices, meanings, and resource allocations, should be only expected under special circumstances (Olsen 1997: 162). Second, the more new institutional

rules, norms, and practices are institutionalized, and the more they 'match' the constituting principles of already existing institutions (goodness of fit), the more likely are institutions to incorporate these new rules, norms, and practices (Olsen 1997: 161). Variation in institutional adaptation is explained by the different degrees to which new and existing institutions match each other. If institutional isomorphism is to evolve, it is the result of a long-term process in which some institutions have to undergo deeper change than others do.

Institutional adaptation approaches also view European institutions as new norms, rules, practices, and structures of meaning, which are diffused to the member states. Institutional isomorphism points to four diffusion mechanisms, which can result in domestic change (Olsen 2002; Knill and Lehmkuhl 1999; Radaelli 2000):

- **Coercion:** The EU positively prescribes or imposes a model with which the member states have to comply, (for example European monetary integration that requires the member states to meet certain macro-economic targets related to public deficits, debt, and inflation rates and make their central banks independent) (Dyson 2000).
- **Imitation and normative pressure:** Member states emulate a model recommended by the EU to avoid uncertainty (imitation) or that has been successfully implemented by other states (normative pressure) as occurred in the liberalization of the telecommunication sector, where member states have introduced independent regulatory agencies that monitor, license, and regulate (Schneider 2001).
- **Competitive selection (regulatory competition):** while the EU neither imposes nor recommends a model, member states compete for the most efficient domestic arrangements in order to avoid comparative disadvantages. Transport liberalization policies, for instance, by which the EU demands the member states to open their market to non-resident competitors, do not say how a liberalized market is to be governed. But EU liberalization puts pressure on member states to change their market regulations in order to avoid regulatory burdens restricting the competitiveness of their domestic industry (Kerwer and Teutsch 2001).
- **Framing:** European actors can behave as 'ideational entrepreneurs', trying to alter the beliefs and expectations of domestic actors by disseminating new ideas and concepts, such as the principle of cooperative governance, which the Commission propagated in order to improve European regional development (Kohler-Koch 2002).

Figure 3.5 The domestic impact of Europe as a process of institutional adaptation



Each of the four diffusion mechanisms is captured by either resource-dependency or socialization approaches. The coercion into a European model that does not fit domestic policies, institutions, and processes can empower domestic reform coalitions and/or socialize them into new norms and beliefs. Likewise, regulatory competition as a result of market-making policies induces domestic change through limiting the opportunities of states to protect their markets while creating new opportunities for customers to buy goods and services from foreign providers. Moreover, EU demands for market liberalizing may empower domestic actors by providing them with political legitimacy to push for deregulation and privatisation (Héritier *et al.* 2001: 257). Mimetic imitation, normative pressure and framing work through processes of social learning, often induced by norm or ideational entrepreneurs, which seek to persuade domestic actors to alter their beliefs and interests in response to European requirements.

Subsuming institutional adaptation under the other two approaches also allows to account for variation beyond the 'goodness of fit' since the isomorphism literature has failed to specify mediating factors that help explain why domestic institutions facing similar degrees of misfit still vary with regard to the outcome of domestic change. This is all the more true since the different processes or mechanisms of domestic change are complementary rather than mutually exclusive. Mediating factors often occur simultaneously reinforcing their effects but at times also pulling in different directions (Hansen and Schoil 2002). Or they characterize different phases in processes of change. Future research has to figure out how the causal mechanisms relate to each other (Börzel and Risse 2003; Olsen 2002).

**Outcome of domestic change**

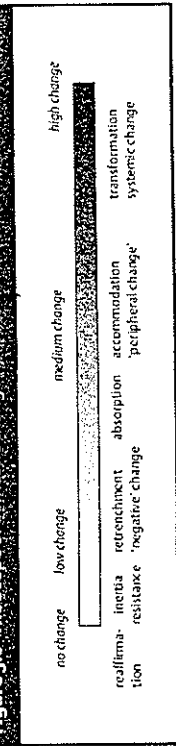
While we have rather specific ideas about when and how Europe affects the member states, we know less about outcomes, that is, the scope and direction of domestic change.

*Deep impact? The scope of domestic change*

The literature broadly distinguishes between five different outcomes regarding the scope or degree of change (Héritier *et al.* 2001; Radaelli 2000; Cowles, Caporaso, and Risse 2001).

- **Inertia**  
Inertia refers to the absence of change. This is not the result of a fit between European and domestic policies, institutions, and processes that may reaffirm existing arrangements. Rather, member states resist the adaptations necessary to meet European requirements. Resistance to change often leads to non-compliance with European legislation against which the European Commission can open infringement proceedings, thereby increasing the pressure for adaptation (Börzel 2001).
- **Retrenchment**  
Resistance to change may have the paradoxical effect of increasing rather than decreasing misfits between the European and the domestic level. Italy not only resisted the changes necessary to liberalize its transport market. Instead of liberalization, the Italian government has increased intervention (Kerwer 2001).

**Figure 3.6 The Scope of domestic change**



■ **Absorption**

Member states incorporate European requirements into their domestic institutions and policies without substantial modifications of existing structures and the logic of political behaviour. The degree of change is low.

■ **Accommodation**

Member states accommodate European pressure by adapting existing processes, policies and institutions in their periphery without changing core features and the underlying collective understandings attached to them (Knill 2001). One way of doing this is by 'patching up' new policies and institutions onto existing ones without changing the latter (Héritier 2001). The degree of domestic change is modest.

■ **Transformation**

Member states replace existing policies, processes, and institutions by new, substantially different ones, or alter existing ones to the extent that their core features and/or the underlying collective understandings are fundamentally changed. The degree of domestic change is high affecting the core of system-wide political, economic and social structures (Risse, Cowles, and Caporaso 2001: 15), such as the constitutional balance of power between domestic institutions, the political culture of a country or macroeconomic policies and the currencies of the member states.

The different theoretical approaches generate different propositions about the scope of domestic change (see Figure 3.7). They all take misfit as the necessary condition of domestic change and converge around the expectation that the lower the misfit, the smaller the pressure for adaptation and thus the lower the degree of domestic change. But the three approaches depart on the effect of high misfit. For resource dependency, the higher the misfit, the more likely domestic reform coalitions will be empowered. Whether high misfit results in transformation or only accommodation depends on the number of veto points and the existence of supporting institutions. Institutional adaptation and socialization, by contrast, would expect high misfit challenging core features of domestic policies and institutions to result in inertia since domestic actors will refuse to simply replace norms, rules, and practices by new ones (Knill 2001). Actors are more open to learning and persuasion if new norms, rules, and practices resonate with the ones they are familiar with (Checkel 1999b). Transformation should only occur under exceptional circumstances, such as performance crises (Olsen 1996) or powerful norm entrepreneurs supported by some coercive pressures in the form of sanctions (Risse, Ropp, and Sikkink 1999).

Figure 3.7 Approaches to the domestic impact of Europe in comparison

	Resource dependency	Institutional adaptation	Socialization
<b>1) Conditions of change</b>	<ul style="list-style-type: none"> <li>■ necessary (misfit)</li> <li>■ sufficient (mediating factors)</li> </ul>	New norms, rules, procedures, meaning structures	New norms, rules, procedures, meaning structures
	Low number of veto points formal supporting institutions		Norm entrepreneurs informal cooperative institutions
<b>2) Process of Change</b>	Redistribution of resources resulting in differential empowerment	Institutional Adaptation through coercion, mimetic imitation, normative pressure, regulatory competition, and framing resulting in isomorphism	Socialization through persuasion and social learning resulting from norm internalization
<b>3) Outcome of Change</b>	<ul style="list-style-type: none"> <li>■ scope of change</li> <li>■ increases with the degree of misfit, the declining number of veto points and/or the presence of formal institutions</li> </ul>	<p>Low misfit: low (absorption)</p> <p>Medium misfit: medium (accommodation)</p> <p>High misfit: low (inertia; retrenchment) high (transformation) under conditions of crisis</p>	<p>Low misfit: low (absorption)</p> <p>Medium misfit: Medium (accommodation) if presence of norm entrepreneurs and/or cooperative institutions;</p> <p>High misfit: low (inertia, retrenchment) in the absence of norm entrepreneurs and cooperative institutions; medium (accommodation) in the presence of norm entrepreneurs and cooperative institutions; high (transformation) if exceptionally powerful norm entrepreneurs or under conditions of crisis</p>
direction of change	differential impact, 'clustered convergence'	Convergence over time as result of isomorphism	'clustered convergence'

Coming together or driving apart? The direction of domestic change

is Europe making the member states more similar? The literature has found little evidence for a homogenization or convergence of domestic institutions, policies, and processes toward common models and approaches (Cowles, Caporaso, and Risse 2001; Héritier et al. 2001; Anderson 2002). This does not mean that Europe has no effect on the member states. Its domestic impact is not the same as convergence. Europe may cause convergence (Schneider 2001; Harcourt 2003) but in most cases it rather does not. This is not too surprising if we accept that the effect of European policies, institutions, and processes is filtered through existing domestic institutions, policies, and interests. The number of veto points, supporting formal institutions, norm entrepreneurs, and cooperative informal institutions mediate between European pressures for adaptation and the outcome of domestic change. We should expect at best some 'clustered convergence' among member states facing similar pressures for adaptation because similar actors are empowered and are likely to learn from each other in searching effective ways of responding to European pressures (Börzel 1999). Institutional adaptation approaches appear to lean more towards convergence since they draw on arguments about institutional isomorphism (see Figure 3.7). Institutions that frequently interact are expected to become more alike. Yet, institutional isomorphism only evolves over time and is mediated through institutional path dependencies, even though the concept is not clearly specified (e.g. by identifying mediating factors (see above)).

Despite its differential impact, however, Europe has not caused divergence among the member states either, driving them further apart. There are no indications that member state variation in their domestic institutions and policies has increased.<sup>4</sup> The dominant finding is persistence and diversity that needs to be explained. Consequently, measuring convergence and divergence may be of limited use in analysing the domestic impact of Europe, particularly since answers vary according to the level at which one looks for convergence or divergence (Knill and Lenschow 2001b).

Finally, the convergence we observe does not necessarily originate at the European level (Schneider 2001; Schmidt 2001). This also applies to domestic change in general. Europe is not always the driving force but complements and enhances trends that were already affecting the member states. We have to employ counterfactuals and test for alternative explanations (Schmitter 1999: 296-7; Goetz 2000: 225-8). Globalization appears to be the major rival for Europeanization in driving domestic change. While some studies have attempted to separate effects of Europeanization and globalization (Verdier and Breen 2001; Schneider 2001), it is often difficult to isolate the 'net effect' of Europe and to disentangle it from other sources of domestic change not only at the global, but also at the national and local level (Anderson, J. 2003).

Tracing the causes, processes, and outcomes of domestic change becomes even more 'muddled' if we seek to account for the interactive and recursive nature of the relationship between the EU and its member states.

<sup>4</sup> Convergence in general is defined by a decreasing variation in the relevant indicators (Martin and Simmons 1998; cf. Unger and van Waarden 1995).

### Bringing the bottom-up perspective back in

The relationship between the EU and its member states is not a one-way street. Member states are not merely passive receivers of European demands for domestic change. They may proactively shape European policies, institutions, and processes to which they have to adapt later (Bombard and Peterson 2000; see already Wallace 1971 and Héritier *et al.* 1994). Moreover, the need to adapt domestically to European pressures may have significant return effects at the European level, where member states seek to reduce the misfit between European and domestic arrangements (Dyson 2003; Jeffery 2003).

One way of linking the bottom-up and top-down dimension in the relationship between the EU and its member states is to focus on the role of national governments in the ascending (policy formulation decision-making) and descending (implementation) stage of the European policy process. This is not to say that supranational actors, such as the European Commission or the European Parliament, are irrelevant to European policy-making. Nor do member state governments necessarily 'gate-keep' the access of domestic interests to the European policy arena. Nevertheless, national executives hold a key position in both the decision-making and the implementation of European policies and thus influence the way in which member states shape European policies and institutions and adapt to them (see Bulmer and Lequesne in this volume).

The European policy process can be conceptualized as a 'reciprocal relationship' (Andersen and Lieféink 1997: 10; 1998) between political negotiations at the domestic and the European level. At the domestic level, actors pressure their national executives to pursue policies at the European level that are favourable to their interests. At the European level, the member state governments push for European policies that satisfy domestic pressures, while minimizing their adverse consequences at the domestic level (Putnam 1988: 434). Two-level game approaches establish a systematic relationship between domestic and European politics, with the national governments functioning as the core intermediators between the two. Furthermore, two-level game approaches provide a link between the ascending (decision-making) and the descending (implementation) stage of the European policy process (see also Helen Wallace's Chapter 2). Except for treaty revisions, European decisions are legally binding for the member states and, hence, do not require ratification at the domestic level. Yet, while regulations are directly applicable, national parliaments must transpose directives into national law. Moreover, both regulations and transposed directives have to be practically applied and enforced by national administrations. Compliance problems with European policies often arise when public administrators, economic and societal actors are not willing to bear the implementation burden (Börzel 2000; 2003). They usually blame their national governments for the costs, which European policies place on them. At the same time, member state governments are held responsible by the Commission and the European Court of Justice, if European policies are not properly implemented and complied with. Consequently, member state governments tend to be rather cost sensitive in European policy-making.

An effective strategy of maximizing the benefits and minimizing the costs of European policies is to 'up-load' or export national policies to the European level. First, 'up-loading' reduces the need for legal and administrative adaptation in 'down-loading' (that is incorporating European policies into national policy structures). The more a European policy fits the domestic context, the lower the costs of adaptation in the implementation process. In the absence of an elaborate policy structure, misfitting European policies may still inflict significant costs since these structures have to be built-up in the first place. Second, 'up-loading' prevents competitive disadvantages for domestic industry. Imposing strict standards on lower-regulating member states maintains the competitive situation of the industry in higher-regulating countries. Likewise, European liberalization and deregulation policies open new markets for industries from low-regulating countries that benefit from lower production costs. Finally, 'up-loading' may enable national governments to address problems, which preoccupy their constituencies but cannot be effectively dealt with at the domestic level anymore (for example organized crime, environmental pollution, immigration).

Member states share a general incentive to up-load their policy arrangements to the European level. But since they have distinct social, political, and economic institutions, they often compete for policies that conform to the preferences of their constituencies (Héritier 1996). Thus, the British government, which runs a country with a rather open economy, may push for liberalization and deregulation in a policy sector. The French government, by contrast, wishes to defend its traditional approach of protecting certain industries from external competition (Ambler and Reichert 2001). Likewise, high-regulating countries seek to harmonize their strict social or environmental standards at the European level where they may meet the vigorous opposition of industrial latecomers, which want to avoid competitive disadvantages for their industry. But not only do member state governments pursue diverging and often competing policy preferences. They also differ in their capacity to successfully engage in the European policy contest.

In environmental policy, the Northern European 'first-comers' (Denmark, Netherlands, Germany, Sweden, Finland, Austria) not only have a strong incentive to harmonize their strict environmental standards at the European level to avoid competitive disadvantages for their industries and avoid adaptations in their regulatory structures. They also have the action capacity (resources) to actively shape European policies according to their environmental concerns and economic interests. The Southern European 'late-comers' (Greece, Spain, Portugal, Italy) lack both the policies and the action capacity (money, staff power, expertise, administrative coordination) to up-load them to the European level (cf. Börzel 2002a; 2003). Since they are policy takers rather than policy makers, the Southern member states are far more likely to run into serious policy misfit than the Northern price-setters. The result is a somewhat paradoxical situation where those member states with the most limited policy-making capacities bear the highest implementation costs since they have to adapt their domestic policies and institutions much more than their Northern counterparts.

The regulatory contest in European (environmental) policy-making illustrates the interactive and recursive nature of the relationship between the EU and its member states, where bottom-up dynamics in the EU policy process have serious implications for explaining the domestic impact of European policies on the member states.

Others have made similar arguments about a 'competition among different national modes of governance', where 'Member States aim to reduce their adaptation costs by transferring their national modes of governance to the European level' (Eising and Kohler-Koch 1999: 27; cf. Bulmer, Jeffery, and Paterson 2000). Future research should systematically explore the links and feedback loops between the bottom-up and top-down dimension of the relationship between the EU and its member states.

### Further reading

Goetz and Hix (2000) as well as Featherstone and Radaelli (2003) offer good surveys of the intellectual puzzles posed by Europeanization as well as exploring the tool kit for addressing them. Cowles, Caporaso, and Risse (2001) and Héritier *et al.* (2001) offer pioneering book-length Europeanization studies that follow particular, yet different, analytical approaches and test conceptual hypotheses.

### Web links

The most relevant website to issues relating to Europeanization is offered by the webportal that brings together various online papers on EU studies <<http://eioip.or.at/erpa/>>. Several of the published chapters and articles on Europeanization were first available at this site, notably on the European integration online papers series. There are also specific paper series, also accessible via this portal, that are dedicated to Europeanization.

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