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23

Structural Policy and Multilevel Governance in the EC

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The aim of this chapter is to analyze recent developments in the European Community's structural policy, asking two sets of questions that have implications for our understanding of the European Community in general: (1) How have institutional innovations come about, and which actors have been most responsible for shaping them? (2) What are the consequences of institutional innovation for existing institutions? What kind of political order is emerging in Europe, and what are the consequences of institutional innovation for the existing state system?

Two lines of theorizing have staked out the terrain of debate on these questions. On the one side, functionalists and neofunctionalists have conceived of the process of institutional innovation as one of "integration" in which supranational institutions compromise state autonomy and sovereignty by shaping institutional competencies, resources, and decisionmaking rules.[1] On the other side, realists, neorealists, and intergovernmental theorists have argued that member states and their executives continue to dominate decisionmaking in the European Community.[2] They emphasize the de jure supremacy of member states in the treaties that establish the institutional framework of the European Community; they note that member state executives are represented directly in the most powerful EC decisionmaking body, the European Council; and they stress the de facto subordination of supranational institutions to member state executives in major episodes of institutional innovation, including most recently, the Single European Act and the Maastricht Treaty.

While they differ substantively, these contending accounts share a fundamental assumption about how to conceptualize the European Community. Both view the defining features of the outcome in terms of the relative role of supranational versus national institutions. They share a conception of the outcome of institution building in the European Community as varying along a dimension characterized by intergovernmentalism at one extreme and a supranational state at the other. Hence, the debate between these accounts has been pursued by examining the relative influence of EC institutions vis-à-vis member state executives and by asking how supranational the EC institutions really are.

This chapter bears on this debate in two ways. First, I argue that a convincing analysis of institution building in the EC should go beyond the areas that are transparently dominated by member states: financial decisions, major pieces of legislation, and the treaties. Beyond and beneath the highly visible politics of member state bargaining lies a dimly lit process of institutional formation, and here the Commission has played a vital role.

Second, I argue that the debate between supranational and national conceptions of institutional formation in the European Community misses a critical element of the whole picture, namely, the increasing importance of subnational levels of decisionmaking and their myriad connections with other levels. I suggest that we are seeing the emergence of *multilevel governance,* a system of continuous negotiation among nested governments at several territorial tiers—supranational, national, regional, and local—as the result of a broad process of institutional creation and decisional reallocation that has pulled some previously centralized functions of the state up to the supranational level and some down to the local/regional level.

The Budget for Structural Policy

The Maastricht Treaty of December 1991 set the stage for a large increase in spending on structural policy, following on the heels of the doubling of the funds agreed to in 1988. Reaffirming the Community's commitment to reduce "disparities between the levels of development of the various regions and the backwardness of the least-favored regions, including rural areas," at Maastricht the member states agreed to set up a new Cohesion Fund to funnel money for meeting environmental standards and for building trans-European transportation networks to the four countries (Greece, Ireland, Portugal, and Spain) with a per capita GNP of less than 90 percent of the Community average.[3]

However, the Maastricht Treaty contained no figures on how much structural spending would increase nor on the size of the new Cohesion Fund. At the Edinburgh summit of December 1992, after several rounds of intense bargaining, the member states agreed to increase structural spending from its present ECU 18.6 billion to ECU 30 billion (in 1992 ECU) in 1999, of which ECU 2.6 billion will be devoted to the Cohesion Fund. That amounts to an increase of 61.3 percent in structural funding, which in absolute terms is even larger than the previous doubling between 1987 and 1993.[4] The share of structural operations in the total EC budget will rise from 28 percent in 1992 to more than one-third in 1999. Of the additional ECU 17.3 billion in EC spending agreed to at Edinburgh, ECU 11.4 billion is targeted for economic and social cohesion.

Structural aid will continue to be concentrated on the poorest countries and regions. At present, countries and regions with a per capita GDP of less than 75 percent of the EC average (objective 1 regions: Northern Ireland, Ireland, Portugal, large parts of Spain, Corsica and the French Overseas Departments, Southern Italy, Greece, and now the five eastern German länder) receive around two-thirds of structural funding.[5] Funding for these regions will double by 1999. The bulk (two-thirds) of this proposed increase will come not from the new and much reported Cohesion Fund, but from further expansion of the structural funds.

Funding is slated to increase by 50 percent for the remaining objectives (objective 2: converting regions seriously affected by industrial decline; objective 3: combatting long-term unemployment; objective 4: facilitating occupational integration of young people; objective 5a: speeding up adjustment in agricultural structures, particularly marketing and processing, across the EC; and objective 5b: rural development in selected regions, particularly those covered under objective 1). In addition, the Commission has stated that "there might be a case" for establishing a sixth objective, to aid regions particularly dependent on fishing.[6]

At both the Maastricht and Edinburgh summits, structural spending became high politics as Spain demanded—and eventually received—a new regional initiative on cohesion to offset its impending net revenue loss with the Community. The Spanish demand for a national cohesion fund for member states whose per capita GNP was less than 90 percent of the EC average was a cleverly calculated move, providing Spain both with the lion's share of the funding and allies in pushing the measure forward. Because the fund is directed to member states, not poor regions within member states, it cuts out the remaining two of the three most populous poorer regions in the Community, the Mezzogiorno and eastern Germany, because these are in relatively wealthy member states. Whereas Spain has just 7 percent of the population of all objective 1 regions, it encompasses more than 60 percent of the population of countries whose per capita GNP is less than 90 percent of the EC average, and Spain has already received informal endorsement for its claim on 55 percent of the Cohesion Fund.

The poorer countries argue that they should receive funding as a side payment for their agreement to market integration and monetary union, innovations that leave them economically vulnerable. These countries are in a double squeeze: they face the challenge of constraining public expenditure, reducing inflation, and balancing their external accounts to meet the criteria of convergence for European monetary integration while trying to meet competitive pressures that are intensifying as a result of market unification. This is not to say that they are bound to lose, either absolutely or even relative, to the richer member states over the next several years. Disparities in GDP per capita at the member state level narrowed slightly over the 1980s.[7] Of the countries whose per capita GDP was less than 90 percent of the EC average, Spain, Portugal, and Ireland did better than average; Greece alone did worse.[8] While many, perhaps most, economists believe that in the absence of major fiscal redistribution, EMU will hurt the poorer countries, a Commission study of the distributional effects of EMU concluded that the overall effects on the Community's regions are not clear-cut.[9] On the one hand, poorer regions will lose the nominal exchange rate instrument and face stricter national budgetary discipline. On the other hand, they can take advantage of new economies of scale, lower transaction costs, and reduction of interest rates presently bearing exchange risk premiums.

Given their middling performance over the past decade, and the sensitivity of the poorer countries to factors that are difficult if not impossible to predict (such as the outcome of the Uruguay Round of GATT and the state of the world economy), it makes little sense to conceive structural policy as a side payment for expected losses. However, governments in the poorer societies make a convincing case that they face a particularly severe economic *risk* as a result of the twin pressures of Europe-wide economic competition and attempts to meet EMU convergence criteria. Further, it seems sensible to argue that an economic downturn stands to hurt a poorer country more than one that is richer, because the welfare safety net of a poor country is weaker.

The intense economic bargaining of the past year reveals just how imprecise is the Maastricht Treaty.[10] Despite the high emotions it has engendered among publics who were formerly content to let elites run European integration, the Treaty is an open-ended and ambiguous document. It is full of legalese and "Eurospeak" concerning an impressive range of policy areas but holds few hard commitments on the part of member states. The Maastricht Treaty has been the starting point, not the end point, for negotiation among interested parties. This is the case for most areas covered in the Treaty, including economic and monetary policy, the creation of a central bank, and social policy. In structural policy, the Treaty barely sets the parameters of negotiation. It contains no overall spending commitments nor even projections for planned expenditure. As noted above, the institutional innovation it does describe in some detail, the new Cohesion Fund, accounts for only a small part of the total increase agreed at Edinburgh. The Treaty calls for a "thorough evaluation of the operation and effectiveness of the Structural Funds," but provides minimal substantive guidance to the Commission on the task of institutional restructuring.

While it is sensible to view the Maastricht Treaty with a lens focused on bargaining among member states, to understand the process of institutional creation in the European Community one must go beyond the process of treatymaking. In the first place, the Treaty must be ratified in each of the member states; this has involved intense public scrutiny, party political mobilization, parliamentary votes, and, in Denmark, Ireland, and France, national referendums. European integration and approval or rejection of the Treaty are tied into diverse crosscutting issues—immigration, national identity, state sovereignty, anti-elite sentiment, dynamics of party competition, and above all, support or opposition to existing governments—that cloud the debate and make prediction of outcomes impossible. In sharp and entirely unexpected contrast to the previous round of institutional recasting, the Single European Act of 1986, the debate about the Treaty captured the political arenas of several member states, including Denmark, France, and the UK. Now that the genie of European integration has been released from the bottle of technocratic planning, quiet accommodation, and elite-driven bargains into the highly charged atmosphere of domestic party politics, it seems unlikely that national leaders will ever be able to coax it back.

Secondly, there is the less transparent, but very consequential, process of post-Treaty interpretation and institution building. The causal logic of this process varies across policy areas. In this and the next section, I argue that in budgetary matters member states are dominant. However, determining the size of the budget does not determine the manner in which it is spent, and in subsequent sections of this chapter, I show that the Commission has played an autonomous and powerful role in spending.

Principle of Structural Policy

When one examines the operation of structural policy, it is clear that the Commission has come to be a central actor. The Maastricht Treaty affirms the reform of the structural funds agreed to at the Brussels summit of February 1988. The current system is based on the principles of programming, partnership, and additionality, each of which provides the Commission wide latitude in formulating and implementing policy.

Programming

With the 1988 reform of the structural funds, the Commission has shifted from its previous role as hands-off financial manager to that of active participant in framing and monitoring regional development programs.[11] Rather than support individual "projects" proposed by member states that in all likelihood would have gone ahead in any case, the three funds responsible for structural policy (the European Regional Development Fund, the European Social Fund, and the Guidance Section of the Agricultural Guidance and Guarantee Fund) have increasingly combined their interventions in multifaceted "programs" budgeted for five-year periods. Whereas projects usually consist of straightforward infrastructural investment (such as road building) planned and carried out exclusively by member states themselves, programs generally include a mix of public and private activities designed by the Commission and subnational governments in conjunction with member states. Programs involve diverse measures such as direct investment in private industry, provision of consulting services, R&D, and technical and vocational training.

A Protocol on Economic and Social Cohesion annexed to the Maastricht Treaty suggests some changes in the administration of structural funds. While the changes have a technocratic justification—to increase "flexibility" in funding—they also enlarge the Commission's scope for autonomous decisionmaking. The Commission is currently drawing up a detailed recommendation based on these suggestions ("the reform of the reforms") that will be put to the Council in 1993.[12] The overall direction of these reforms will be as follows:

1. *Increased scope for structural intervention.* The Commission wishes to integrate aid for health and education, areas currently not covered by structural spending, into its development programs.

2. *Increased rates of Community assistance.* At present the Commission can decide to provide a maximum of 75 percent of the funding for a program in objective 1 regions. This rate will be increased so as to reduce the squeeze that the poorest member states face in cofunding extensive Community development programs while simultaneously having to reduce public spending to satisfy EMU convergence goals. The maximum rate for Community cofunding for the new Cohesion Fund is 90 percent.

3. *Greater emphasis on Community initiative programs.* The Commission will call for an increase in the share of total structural spending to be channeled into special sectoral programs designed by the Commission from the current 9 percent to about 15 percent. In using these funds, the Commission would be granted latitude to incorporate neighboring regions not included under existing objectives.

4. *Simplifying the planning process.* At present there are three stages: first the member state draws up a national development plan that sets out broad planning goals; then the Commission, in conjunction with representatives of local and regional authorities and member states, develops community support frameworks (CSFs) that set out funding priorities and outline the general means to achieve them; finally, the CSF is hammered down into a number of five-year operational programs that become the basis for Community funding. The Commission is now weighing the case for reducing the number of stages to two by cutting out the first stage, at least for smaller CSFs.

Partnership

Partnership, the participation of subnational governmental representatives alongside member state representatives and the Commission in preparing, implementing, and monitoring development programs, is now a guiding principle of Community structural policy.[13] In drawing up CSFs, Commission administrators visit the regions, consult, and (if necessary) actively mobilize input from local government administrators concerning the kinds of programs

they want in their regions. Subnational representatives are involved alongside member state representatives in the biannual meetings of the monitoring committees for each CSF. Whereas the Commission used to deal exclusively with national governments, which articulated their own regional plans, since 1988 it has opened the process to regional and local governments.

The Commission cultivates regional contacts in several ways. Bruce Millan, the Commissioner for DG-16, the regional fund, has relied extensively on his contacts with subnational government representatives in developing new Community initiatives. For example, RECHAR, an EC initiative to aid economic adaption in coal-mining communities, was designed after consultation with representatives in the north of England and other affected regions. With the support of the Commission, both objective 1 and objective 2 regions have created supranational associations to mobilize their interests in Brussels and Strasbourg. In 1991, in the first of what is intended to be an ongoing series of meetings, DG-16 invited representatives from each of the sixty objective 2 regions to a conference in Brussels where they exchanged information on development strategies and sources of future funding.

In its proposals for reform of the reforms, the Commission intends to press for "enhancement of partnership on the basis of more clearly defined responsibilities: the division of responsibilities between the Commission and the regions should be more clear cut to make for more decentralization in the detailed definition of projects and in the implementation of programs, which should be handed over to those in charge of the operations on the spot."[14] This demand is consistent with "subsidiarity," the principle (discussed below) that decisions should be taken at the lowest feasible level of government. It is also consistent with the Commission's inability to administer programs directly in the regions, given its small staff. The Directorate General that has prime responsibility for the operation of programs in the field, DG 16, has a staff of less than 500 managers and field operatives to administer a budget in excess of ECU 6 billion spread over more than 200 programs.

Since 1990, the Commission has been elaborating an expanded conception of partnership ("social partnership") encompassing nongovernmental organizations, particularly regional labor and employer organizations.[15] While it lacks authority to enforce participation of the social partners in structural decisionmaking against the wishes of a member state and does not yet challenge the right of member states to determine the formal composition of the regional side of the partnership triangle, the Commission has served notice of its ambition that "the social partners must be more involved in the programming procedures than they were in the past."[16]

Additionality

The principle of additionality demands that financial contributions to structural funds are *additional* to what member states would otherwise spend. The justification for additionality is straightforward: to the extent that member states take account of EC structural funds in their own financial calculations, spending correspondingly less of their own money in the target regions, this defeats the very notion of a Community structural policy.

Despite the importance of the principle, it has proved extremely difficult to implement. One part of the problem is that it is ambiguous for member states (in particular, the United Kingdom) that have received no increase in EC structural funding. Article 9 of the Council regulation setting out the 1988 reform of the structural funds specifies that "the Commission and the Member States shall ensure that the *increase* in appropriations . . . has a genuine additional economic impact in the regions concerned."[17] Hence, the British government has maintained that it is under no legal obligation to provide additionality, and the bulk of EC structural aid is, at this time of writing, channeled through the Treasury.[18] Under the present UK system, local authorities are not allowed to borrow additional funds to match Community spending but must draw their share from existing planned expenditure.

A second, more general, and perhaps even more intractable problem is that it is very difficult for the Commission to ascertain additionality, even in cases where the member state is cooperative, because it is impossible to know how much would have been spent in a targeted region if there were no Community regional policy. Since 1990, the Commission's approach to this has been to press member states to create special budget lines for structural spending so that they can observe the flow of EC money to the regions concerned. In Eurojargon this is the demand for "transparency." The Commission has also sought to gauge additionality by evaluating how total regional spending in individual countries has increased over time as EC structural spending has increased. To this end, in August 1990 the Commission asked member states to provide (by November 30, 1990) statistical information on regional aid to targeted regions.[19] No member state complied; most pleaded for more time, invoking technical problems with breaking down the data by geographical units as required. The Commission extended the deadline to May 15, 1991. At the time of writing, the Commission still was not completely satisfied that the UK, Italy, or Spain were fulfilling additionality.

Financial Growth, Institutional Formation, and Decisional Power

A notable characteristic of structural policy in the EC is that the dynamics of budgetary expansion are very different from those of institutional formation and policy practice. The driving force for change in all areas of structural policy has been the considerable growth in resources as a result of member

state bargaining. The institutions and practices that govern how those resources are used, however, bear little relation to how they were gathered.

The Council of Ministers remains the key forum for innovations in structural policy funding.[20] The creation of a Regional Development Fund in 1975, the decision to double structural funding in 1988, and the current bargaining about further increases in structural funding at Edinburgh—all are the result of negotiation among member states. If one's vision were limited to highlights in the development of the EC's structural policy over the last seventeen years, one would conclude that this policy area is dominated by member states. From this perspective, the creation and expansion of regional funding reflects the need to find a financial instrument to pay off poorer member states to gain their assent to policies that they would otherwise reject.

This is a valid perspective, but it needs to be extended by examining the *practice* of structural policy, for it is obvious that the way an institution is funded does not tell us how it actually works and spends. An exclusive focus on key watersheds of institutional creativity—as critical as they are to the overall process of European integration—is not just partial, but seriously misleading. Both the Single European Act and the Treaty on European Union are exceptional institutional breakthroughs that tell us only a limited amount about other aspects of political life in the EC, in the same way that constitutional structuring and restructuring in a nation-state provide only one line of sight into its political dynamics. When one lifts the lid on the practice of structural policy, it is clear that the Commission has played a vital role in designing the institutional framework. Within that framework, the Commission is the key actor in the process of policymaking and implementation.

While the doubling of structural funding in 1988 at the Brussels summit resulted from member state bargaining, the institutional reforms that were agreed by the Council later that year were drawn up by the Commission. Apart from the concession of a watered-down clause concerning additionality to mollify the UK, the result reflected the Commission's wishes.

The reforms have given the Commission an impressive margin of latitude in allocating resources. A significant portion of total structural spending, ECU 5.5 billion, 9 percent of total spending during the funding period 1989 to 1993, has been allocated directly by the Commission in the form of Community initiatives.[21] These are programs originated and administered by the Regional Development Fund for specific problems, such as converting regions formerly dependent on steel, shipbuilding, or coal. The remainder of the structural budget is allocated among member states on the basis of broad ranges rather than fixed quotas.

The Commission's power of the purse can be used to apply intense pressure in disputes with member states, as was evident in the dispute with the UK concerning additionality. After several months of inconclusive posturing on both sides, in December 1989 Bruce Millan, the Commissioner of the Regional Fund, decided to create a new Community initiative that would highlight the policies of the offending ministries of the Thatcher government, the Department of Trade and Industry, and the Treasury and in the process encourage strong opposition to the government from political interests in the regions that stood to gain from the program. The Community initiative that Millan created, RECHAR, was designed to aid in the conversion of coal-mining regions. Funding criteria were such that qualifying regions in the UK were slated to receive 44 percent of the ECU 300 million allocated to the initiative.[22] In addition, Millan arranged for the European Coal and Steel Community to earmark ECU 120 million in potential loan rebates and ECU 40 million in supplementary funding for 1990, ECU 50 million for 1991, and further amounts in subsequent years. When the government continued to insist that Community structural funds would be channeled into the Treasury, leaving the target regions to raise the bulk of their matching funds by cutting expenditures elsewhere, Millan blocked the UK side of the program. Later in 1991, with the dispute still unresolved, Millan threatened to block the total structural allotment to the UK for 1992–93, amounting to around 900 million pounds.[23] Under intense political pressure, described in more detail below, the UK government was brought to the negotiating table, and in mid-February 1992 it formally accepted (but has not yet implemented) the Commission's demands concerning additionality, whereupon Millan released the RECHAR funds.[24]

The climb-down by the UK government in the dispute is all the more remarkable when one considers the diverse grounds of UK opposition to the Commission's position. The government's resistance to additionality was part of its overall strategy to control public spending. From the Treasury's standpoint, true additionality meant additional spending of about 130 million pounds. Opposition to additionality was reinforced by the perception that the UK receives no net benefit from EC structural funds; its receipts relative to those of all member states are smaller than its relative contribution to the Community budget. The government goes even further and opposes the principle of Commission interference in regional spending decisions on the grounds that they are an internal matter for the UK alone. In his testimony to a House of Lords select committee concerned with the structural funds, Peter Lilley, secretary of state for trade and industry, argued that the UK would prefer the abolition of the structural funds in favor of financial transfers from Brussels directly to Whitehall.[25] From a legal standpoint, the government continues to insist that it is under no formal obligation to enforce additionality under Article 9 because its structural funding has not increased since 1988.

As I detail in the next section, the Major government backed down for several reasons, including its sensitivity to opposition from Conservative local authorities and MPs in the run-up to a general election. Millan pursued a carefully orchestrated strategy that succeeded in gaining regional support for the Commission's position within the UK and diffusing the government's claim that the dispute pitted the country against intransigent and intervention-

ist Eurocrats. While the Commission's control of spending was by no means sufficient for its political success, it was certainly a necessary condition.

How has the Commission managed to create an institutional framework in which it has such impressive control over resources? One important source of Commission power is its agenda-setting ability. The progressive expansion of structural spending has been driven by bargains involving financial transfers across member states, but these bargains have had virtually no institutional component. While the Council is the key arena for resolving basic issues of governance and finance in the Community, it has neither the cohesion nor the institutional capacity to act in detail. The Commission drew up the blueprint for the 1988 reform of the structural funds, and this blueprint, with only minor revisions, was approved by the Council.

The Commission's way was smoothed because the EC's structural policy was an innovation that supplemented rather than replaced existing efforts on the part of member states to provide regional aid. As a result, there was little resistance from member state bureaucracies entrenched in regional policy. Moreover, regional policy was very weakly developed in the poorest member states—Greece, Ireland, Portugal, and Spain—that had the most at stake in the institutionalization of funding. These countries welcomed an activist approach on the part of Brussels because they lacked not only money, but the expertise to spend it wisely. Conversely, those countries that had the most entrenched bureaucracies in the field of structural policy—the UK, West Germany, and France—believed that they would be least affected and were generally content to go along with the Commission's plans.

The Regional Dimension in the Emerging European Polity

With the exception of "Europe of the Regions" visionaries, whose ideas have had little impact on either the practice or the theory of institution building in the European Community, the dominant conception of possible outcomes has been a continuum between a system dominated by existing states at one extreme and a supranational European state at the other. While scholars' ideas about the causality of European integration vary sharply, as do their predictions, most share this conception of the range of alternative destinations.

The experience of structural policy compels us to reevaluate this conception of outcomes. Structural policy in the EC does not fit along a continuum running from continued national state predominance to the emergence of a Eurostate. Instead, it appears to be a two-sided process, involving *decentralization* of decisionmaking to subnational levels of government as well as centralization of new powers at the supranational level. If we encompass the experience of structural policy in our notion of the future European polity, it can be viewed as the leading edge of a system of *multilevel governance* in which supranational, national, regional, and local governments are enmeshed in territorially overarching policy networks. Instead of a *centripetal* process where decisionmaking is progressively centralized in Community institutions, in structural policy we see a *centrifugal* process in which decisionmaking is spun away from member states in two directions: up to supranational institutions, and down to diverse units of subnational government; instead of the unambiguous allocation of decisionmaking responsibility between national and supranational governments, we see the institutionalization of *contested spheres* of influence across *several tiers* of government.

Subnational governments have developed vertical linkages with the Commission that bypass member states and challenge their traditional role as sole intermediary between subnational and supranational levels of government. Direct contacts between the Commission and subnational governmental representatives take place on a daily basis both in the regions and in Brussels. Commission officials visit targeted regions and consult extensively with local and regional government representatives, and these representatives are active participants alongside Commission and member state officials in the tripartite CSF monitoring committees. About 240 committee meetings involving Commission, national, and subnational representatives to monitor CSFs and operations programs were held in the regions of the EC in 1992.[26] A large number, perhaps a majority, of regional or local governments in objective 1 and objective 2 areas have sought direct links with the Commission by opening offices in Brussels where they monitor EC regulations, lobby the Commission, and shepherd their proposals for funding through the Community process.[27] As noted above, subnational representatives have also played a critical role in designing and campaigning for new regional initiatives, sometimes, as in the case of RECHAR, quite independently of their member states.

The growth of direct links between subnational governments and the Commission opens up some interesting coalitional possibilities, pitting both ends against the middle (i.e., member states). In an earlier analysis of the 1988 reform of the structural funds and its consequences, I speculated about how existing states might be "outflanked on the one side by the transfer of authority to the EC and on the other by incentives for newly assertive and politically meaningful regional bodies," noting that it would not be surprising if "regional governments and Community institutions should regard each other as useful potential allies in bargaining with member states."[28] The recent clash between the Commission and the UK over additionality reveals the scope for such alliances even in a country where subnational government is relatively weak. The efforts of the Commission to put financial pressure on the UK government went hand in hand with the political mobilization of local authorities on the issue, led by a Barnsley-based organization, the Coalfield Communities Campaign (CCC), that represents ninety-seven local authorities in coal-mining areas in the UK and coordinates them with like regions in

Belgium, France, Germany, and Spain.[29] The CCC was instrumental in developing the RECHAR initiative in cooperation with the European Regional Development Fund and in alerting local authorities to the sources of the conflict between the UK government and the Commission by publishing pamphlets, organizing educational seminars for local government representatives, and informing the media.[30] The fact that some Conservative, as well as Labour and Liberal Democratic, local authorities were involved in the campaign to change the government's policy on additionality undermined the government's attempt to paint the conflict as one that pitted Britain against a meddlesome Eurocracy headed by a Labourite (Bruce Millan, former secretary of state for Scotland under a Labour government). By late 1991, when the conflict first hit the front pages of several UK newspapers, the campaign had gained the support of regional affiliates of the Confederation of British Industry as well as of the Trades Union Congress, the Yorkshire Chamber of Commerce, and Conservative members of parliament in constituencies that were being denied Community funding. All five national associations of local authorities opposed the government.

Several aspects of the conflict—the way in which local actors were mobilized, their alliance with the Commission, and the effectiveness of their efforts in shifting the government's position—confirm the claim that structural policy has provided subnational governments and the Commission with new political resources and opportunities in an emerging multilevel policy arena.

The conflict over additionality shows the scope for unintended consequences in the EC very clearly. In the previous section, I argued that treaties shape the process of institutional creation only in rough outline. A corollary of this is that member states do not know exactly what they are agreeing to when they sign on. In this case, the UK government fell into a trap of its own making, for it had agreed to reforms of the structural funds that included an ambiguous commitment to additionality and provided the Commission with the means to enforce its own interpretation. It is worth stressing, however, that the idea of unintended consequences is tricky in the context of ongoing political relationships where learning takes place. Having been at the sharp end of growing Commission power and subnational government assertiveness, the UK government is likely to pay more attention to institutional details in the future and be more willing to exert its veto power, or threaten to do so, to stave off future debacles.

Subnational Government and Transnational Networks

At Maastricht, the member states agreed in a protocol attached to the Treaty to expand the Consultative Council of Regional and Local Authorities, set up by the Commission in 1988 with consultative rights over the formulation and implementation of regional policies, into a Committee of the Regions on lines parallel to the existing Economic and Social Committee. The Committee of the Regions has a larger membership than the previous Consultative Council (189 against 42), and although the new body remains largely symbolic, it is given a wider consultative role.[31] The protocol directs the Council of Ministers and the Commission to consult with the Committee of the Regions on regional issues. In addition, the Committee can forward its opinion to the Council and Commission "in cases in which it considers such action appropriate."

This new chamber is merely the most visible of a diverse and growing number of mostly specialized transnational organizations representing subnational governments, including the Assembly of European Regions; the Conference of Peripheral Maritime Regions; the Association of Regions of Traditional Industry; the European Association of Border Regions; the Union of Capital Regions; associations covering the Western, Central, and Eastern Alps, the Jura, and the Pyrenees; the Association of Frontier Regions; and the Coalfields Communities Campaign.[32]

The creation of new networks of interaction, influence, and policymaking spanning subnational governments, member states, and the EC complicate institution building in the European Community. While the notion that member states intermediate between domestic pressures and supranational institutions, as illustrated in Figure 23.1, provides a useful theoretical starting point for the analysis of some policy areas, such an approach is not appropriate in structural policy. Instead we are seeing the emergence of a far more complex, open-textured, and fluid situation in which subnational governments interact both with the EC and crossnationally, as represented in Figure 23.2.[33]

Figure 23.2 is misleading in one important respect: it suggests homogeneous patterns of multilevel governance across the EC. In fact, there are wide variations across, and even within, member states. This is partly a reflection of the widely differing roles and powers of subnational governments across member states.[34] In Germany, a federal polity with an extremely strong regional tier of government, the länder dominate the role of subnational partner, occasionally to the exclusion of any local input from the two lower tiers of government, the Kreise and Bezirke. In the regionalized states of Spain and Italy, subnational governments have a strong constitutional position, though they usually find themselves financially dependent on the central government, and their autonomy is constrained by national framework legislation. Ireland, Portugal, Greece, and the UK, at the other extreme, have no regional tier. In these countries, the interlocutors of the Commission are representatives of weak, financially dependent local authorities. The effectiveness of local authorities in these countries as voices independent of the national state depends upon their resources and ability to create region-wide coalitions. For example, local governments in the Azores and Madeira Islands are far more effective than those on the Portuguese mainland, and especially

Figure 23.1 Territorial Policy Networks Pre-1992

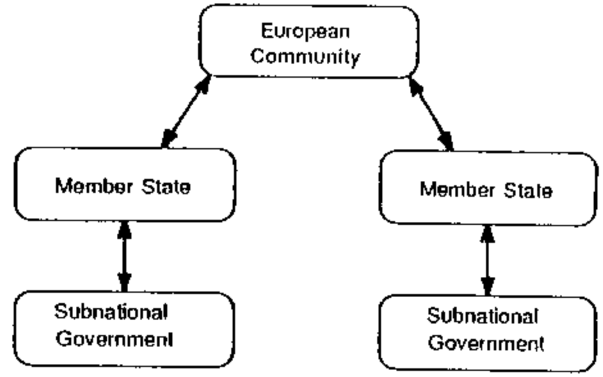
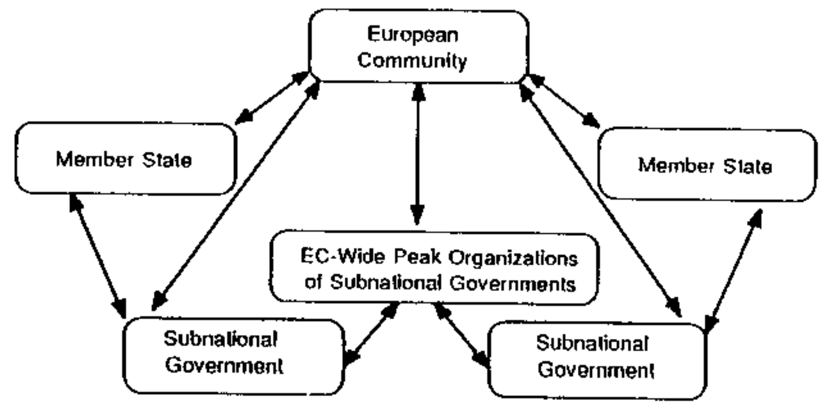


Figure 23.2 Territorial Policy Networks Post-1992



in the Algarve, because they are far more cohesive. For the same reason, partnership is more balanced in northeastern England, where there is a stronger sense of local identity than in the western Midlands.

Diversity is also an integral feature of the operation of the structural funds themselves. In the first place, the influence of the funds is felt only in the targeted regions, which contain around 43 percent of the total population of the EC.[35] However, there are also important differences across the targeted regions. Countries that qualify in their entirety for structural funding, i.e., the very poorest countries eligible for objective 1 funding, are covered by nationwide CSFs, whereas countries that quality for objective 2 funding have regional CSFs.[36] The operational programs that make up both types of CSFs have a regional slant, though even here there is a difference: projects in the poorer countries are frequently sectoral rather than regional in focus. As a result, it is often difficult for subnational governments in the poorer regions to present the case for regional priorities against central government assertion of national priorities.

The Commission has framed its demand for extensive regional participation in structural policy in terms of "partnership," a new buzz word that may have a significant future in debates about Community institution building. Partnership shares with subsidiarity the notion that, to quote from the opening paragraph of the Treaty on European Union, "decisions are taken as closely as possible to the citizen."[37] However, partnership conceives the relationship between levels of government as being one of interaction rather than autonomy. Instead of giving independence to subnational governments within a defined framework of powers and duties in which certain issues are deemed to be exclusively handled at the subnational level, partnership involves governments at local, regional, national, and supranational levels in complex patterns of mutual influence.[38]

One of the achievements of Maastricht was to raise such issues formally for the first time. However, the gap between exhortation and practice remains very large. If member states were to take seriously the admonition to make decisions as closely as possible to their citizens, this would demand nothing less for most of them than their reconstitution. The debate about how subnational tiers of government fit into the multilevel governance of the European Union has only just begun. The notion of subsidiarity surfaces in the Treaty just three times, in each case as a general principle without specific application.[39] In this case, as in many others in the development of the EC, unanimous consent was achieved by a combination of caution and ambiguity. Member states have not committed themselves to specific policies actually to implement subsidiarity, and the meaning of the term remains open to conflicting interpretations. The United Kingdom, for example, interprets subsidiarity to mean that internal political arrangements—however centralized—are not subject to Community influence because they form part of the member state's exclusive subsidiary responsibilities!

Conclusion

Successive treaties provide the basic outline of institutional formation in the European Community. National executives dominate the process of treaty creation. Treatymaking is "high" politics, and "high" politics continues to be the preserve of national executives. Although ratification has now shifted beyond the predictable control of national executives to legislatures and mass publics, member states remain the sovereign participants in the treaty process. The highly politicized debates that have taken place in the wake of Maastricht have been carried out in definitively national political arenas, not in the EC as a whole. Treaties have implicitly enshrined states as the ultimate constitutional units of institutional formation. In this chapter, however, I have endeavored to show that treaties are not representative of the ongoing process of institution building. In this sense, the creation of the European Community, like the formation of nation-states, is an interstitial process. The treaties, including the Maastricht Treaty, have been ambiguous and open-ended, and the European Council, the organ of member states, has neither the coherence nor the organizational capability to press member state concerns directly into institutional practice. Structural policy provides an extreme case of the disjuncture between the Treaty and the institutional outcome, and of the vital role of the Commission in mediating these.

In this respect, I interpret the evidence on structural policy as a critique of intergovernmentalism, which has perhaps all too easily won the day in the wake of the recent infusions of life into the European Community as a result of interstate bargaining.[40] To put this positively, my conclusion is congruent with the emphasis of neofunctionalism on the autonomous role of supranational institutions, and in particular, the Commission.

However, there is a second conclusion to be drawn from the experience of structural policy that compels us to reevaluate the character of the European Community in a more fundamental way. My discussion of the role of subnational governments suggests that intergovernmental and neofunctional theories of the EC are inadequate because they are too narrow in one important respect: they conceive the systemic outcome of institution building in the EC in terms of a single dimension ranging from national state domination at the one extreme to a supranational polity at the other. From the standpoint of the case I have described, the debate between intergovernmentalism and neofunctionalism is sterile because it cannot come to grips with the most salient and novel characteristic of that case, the mobilization and empowerment of subnational governments. I believe we are witnessing the emergence of *multilevel governance* in the European Community, characterized by co-decisionmaking across several nested tiers of government, ill-defined and shifting spheres of competence (creating a consequent potential for conflicts about competencies), and an ongoing search for principles of decisional distribution that might be applied to this emerging polity. To put this more speculatively, the experience of structural policy suggests that it might be fruitful to describe the process of decisional reallocation to European Community institutions merely as one aspect of a centrifugal process in which some decisional powers are shifted down to municipal, local, and regional governments, some are transferred from states to the EC, and (as in the case of structural policy) some are shifted in both directions simultaneously.

Notes

I could not have written this chapter without the help of several administrators in DG-16 and DG-22 of the EC Commission, the Department of Trade and Industry, the Local

in a European Environment: The Increasing Role of the Region for Functional and Territorial Interest Intermediation," presented at the IPSA-SOG conference on Levels of Government and 1992, Montpellier, France, 1992, for an earlier representation of multilevel governance in the European Community.

34. See Jeffrey J. Anderson, "Skeptical Reflections on a 'Europe of Regions': Britain, Germany, and the European Regional Development Fund," *Journal of Public Policy* (1992); Richard Batley, "Comparisons and Lessons," in Richard Batley and Gerry Stoker, eds., *Local Government in Europe: Trends and Developments* (London: MacMillan Education Ltd, 1991); "The Regions in the EC: Legislative Diversity and the Search for an Integrated Political Role," Final Report (Bonn: Institute for European Policy, 1991); Edward C. Page and Michael J. Goldsmith, "Centre and Locality: Explaining Crossnational Variation," in Page and Goldsmith, eds., *Central and Local Government Relations: A Comparative Analysis of West European Unitary States* (Beverly Hills: Sage Publications, 1987).

35. Objective 1 areas encompass 21.7 percent of the population of the EC, objective 2 areas encompass 16.4 percent, and objective 5b areas encompass 5.0 percent. Commission of the European Communities, *First Annual Report on the Implementation of the Reform of the Structural Funds* (Brussels/Luxembourg: Commission of the European Communities, 1990).

36. Commission of the European Communities: Directorate-General for the Coordination of Structural Policies, *The Community's Structural Interventions*, Statistical Bulletin no. 1 (Brussels: 1991); Commission of the European Communities, Directorate-General for Regional Policy, *The ERDF in 1989* (Brussels/Luxembourg: 1991).

37. Commission of the European Communities, *Treaty on European Union*, Article A.

38. For a suggestive discussion of networks in the EC, see Robert O. Keohane and Stanley Hoffmann, "Institutional Change in Europe in the 1980s," in Keohane and Hoffmann, *The New European Community*, op. cit.

39. See Commission of the European Communities, *Treaty on European Union*, Article A, Article B, and Article 3b.

40. For a "Commission-centric" perspective that runs against this tide, see George Ross, "Confronting the New Europe," *New Left Review* 191 (1992).

Acronyms

ARRC	Ace rapid reaction corps
ASEAN	Association of South East Asian Nations
BRITE	Basic Research in Industrial Technologies for Europe
CAP	Common Agricultural Policy
CEEP	European Center for Public Enterprises
CFSP	Common Foreign and Security Policy
CIS	Commonwealth of Independent States
CMEA	Council for Mutual Economic Assistance
COPA	Committee of Professional Agricultural Organizations
COREPER	Committee of Permanent Representatives
CS	Collective security
DG	Directorate-General
DM	deutschemark
EC	European Community
ECSC	European Coal and Steel Community
ECU	European Currency Unit
EDI	European Defense Identity
EEA	European Economic Area
EEC	European Economic Community
EFTA	European Free Trade Area
EIC	European Industry Committee
EMI	European Monetary Institute
EMS	European Monetary System
EMU	Economic and Monetary Union
EP	European Parliament
EPC	European Political Cooperation
EPU	European Political Union
ERM	Exchange rate mechanism
ESC	Economic and Social Committee
ESCB	European System of Central Banks

Government International Bureau, and the Coalfield Communities Campaign in the UK, who gave generously of their time in explaining their versions of events over the past two years. I cannot name them, but I hope they gain some pleasure in recognizing their own stories. I would also like to thank my fellow collaborators on "The Consortium for 1992" for their comments and criticisms on drafts of earlier, related papers that dealt with the 1988 reforms of the structural funds and with European integration and state building. Participants in the Comparative Politics Discussion Group in the Department of Political Science at UNC-Chapel Hill gave freely of advice and criticism. Jenna Bednar, Leonard Ray, and Kermit Blank provided useful editorial and research assistance. This chapter was researched while I was a fellow at the Center for Advanced Study in the Behavioral Sciences at Stanford. I am grateful for financial support provided by National Science Foundation Grant #BNS-8700864, as well as a grant from the Social Science Research Council to "The Consortium for 1992."

1. See Ernst B. Haas, *The Uniting of Europe: Political, Social and Economic Forces 1950–1957* (London: Stevens and Son, 1958); the essays, particularly Haas's, in Leon N. Lindberg and Stuart A. Scheingold, eds., *Regional Integration: Theory and Research* (Cambridge, Mass.: Harvard University Press, 1971); Leon N. Lindberg and Stuart A. Scheingold, *Europe's Would-Be Polity: Patterns of Change in the European Community* (New York: Prentice Hall, 1970); and Donald J. Puchala, "Of Blind Men, Elephants and International Integration," *Journal Of Common Market Studies* 10 (1972).

2. See, for example, Geoffrey Garrett, "International Cooperation and Institutional Choice," *International Organization* 46 (1992); and Andrew Moravcsik, "Negotiating the Single European Act," in Robert O. Keohane and Stanley Hoffmann, eds., *The New European Community: Decisionmaking and Institutional Change* (Boulder: Westview, 1991).

3. Commission of the European Communities, *Treaty on European Union* (Brussels: Commission of the European Communities, 1992), Article 130a and Protocol on Economic and Social Cohesion.

4. Commission of the European Communities, *From the Single Act to Maastricht and Beyond: The Means to Match Our Ambitions*, Com(92) 2000 final (Brussels: Commission of the European Communities, 1992). Hereafter cited as *Maastricht and Beyond*.

5. Commission of the European Communities, *Second Annual Report on the Implementation of the Reform of Structural Funds* (Brussels/Luxembourg: Commission of the European Communities, 1992). Hereafter cited as *Second Annual Report on Implementation*.

6. Commission of the European Communities, *Maastricht and Beyond*, p. 23.

7. Commission of the European Communities, *Community Structural Policies: Assessment and Outlook*, Com(92) 84 final (Brussels: Commission of the European Communities, 1992), Graph 1.

8. Per capita gross national product at market prices in Greece decreased from 60.0 percent of the EC average in 1980 to 52.6 percent in 1990. In Spain, Portugal, and Ireland the increases were from 73.5 to 77.4 percent, 53.5 to 55.5 percent, and from 61.5 to 61.7 percent, respectively, over the same period. Commission of the European Communities, *Community Structural Policies*, Table 1a.

9. Commission of the European Communities, *The Regions in the 1990s: Fourth Periodic Report on the Social and Economic Situation and Development of the Regions of the Community*, Chapter 1.

10. This point is made forcefully by Philippe Schmitter in "Interests, Powers and Functions: Emergent Properties and Unintended Consequences in the European Polity," paper prepared for a meeting of "The Consortium for 1992" at the Center for Advanced Study in the Behavioral Sciences, Stanford University, May 23–25, 1992.

11. Commission of the European Communities, *Guide to the Reform of the Community's Structural Funds* (Luxembourg: Commission of the European Communities, 1989). Hereafter cited as *Guide to Reform*.

12. This information is derived partly from interviews and from EC documents, particularly, Commission of the European Communities, *Maastricht and Beyond* and Commission of the European Communities, *Treaty on European Union*.

13. For an interesting overview of the rise of regional identity that discusses "partnership," see James G. Kellas, "European Integration and the Regions," *Parliamentary Affairs* 44 (1991).

14. Commission of the European Communities, *Maastricht and Beyond*, p. 20.

15. Commission of the European Communities, *Amélioration des Mécanismes et des Procédures de Mise en Oeuvre de la Réforme des Fonds Structurels* (Brussels: Commission of the European Communities, 1991). Hereafter cited as *Amélioration des Mécanismes*.

16. Commission of the European Communities, *Community Structural Policies*, p. 41.

17. Commission of the European Communities, *Guide to Reform*, p. 77, emphasis added.

18. House of Lords, Select Committee on the European Communities, *EEC Regional Development Policy* (London: HMSO, 1991), p. 27ff.

19. Commission of the European Communities, *Amélioration des Mécanismes*.

20. Gary Marks, "Structural Policy in the European Community," in Alberta Sbragia, ed., *Europolitics: Institutions and Policymaking in the "New" European Community* (Washington: The Brookings Institution, 1992).

21. Commission of the European Communities, *Annual Report on the Implementation of the Reform of the Structural Funds 1990*, Com(91) 400 final, (Brussels: Commission of the European Communities, 1991).

22. Stephen Fothergill, "The New Alliance of Mining Areas," unpublished, 1992.

23. "How to Grab the EC Money," *Financial Times*, February 7, 1992; Alison Smith and David Gardner, "UK Split over EC Funds for Mining Rejuvenation," *Financial Times*, December 18, 1992.

24. As explained to me in interviews with officials in the Department of Trade and Industry and the European Commission. The best written source is the *Financial Times*; for example, see the two articles just cited, as well as Philip Stephens and David Gardner, "UK, EC Agree on Regional Funds," February 18, 1992.

25. House of Lords, Select Committee on the European Communities, *EEC Regional Development Policy*, p. 54.

26. Commission of the European Communities, *Second Annual Report on Implementation*.

27. There is at present little literature on this. For an overview of British interest group activity see Sonia P. Mazey and Jeremy J. Richardson, "British Pressure Groups in the European Community: The Challenge of Brussels," *Parliamentary Affairs* 45 (1992).

28. Gary Marks, "Structural Policy in the European Community,"op. cit., pp. 212 and 218.

29. Stephen Fothergill, "The New Alliance of Mining Areas."

30. *The Additionality Problem* (Barnsley: Coalfield Communities Campaign, 1991); *Rechar and the Case for Additionality* (Barnsley: Coalfield Communities Campaign, 1991).

31. Commission of the European Communities, *Treaty on European Union*, Articles 189a, 189b, and 189c.

32. Paul N. Bongers, *Local Government and 1992* (Harlow, UK: Longman Industry and Public Service Management, 1990).

33. See Shari Garmise, Jürgen Grote, and Robert Leonardi, "Regional Governance