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Negotiating Reform in the European Union

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Abstract

At the moment, the pressure on the European Union (EU) to adjust to new circumstances is probably greater than at any time previously, not least because of eastern enlargement. However, the complex decision-making processes of the EU, in which negotiations are central, have rendered major reform an increasingly difficult task. The aim of this work is to give a picture of the characteristics of reform negotiations and the main obstacles hindering reform in the EU. It is argued that EU reform negotiations possess at least two specific characteristics: the inert supranational compromise and the extensive use of linkages. This work departs from a case study of the Common Agricultural Policy (CAP) within Agenda 2000, which was an attempt to reform the most important and costly policy areas prior to enlargement. The case constitutes an example of unsuccessful reform negotiations, which is explained by the domination of negative consequences of supranational decision-making: as new compromises are built upon previous ones and linked to each other, further supranational compromises are increasingly difficult to reach. The lack of a fully developed supranational consensus culture and the impact of national interests make it difficult to reverse a decision-making process of this kind. The roles of coalition building, leadership and mediation, as well as the impact of contextual factors on reform negotiations, are discussed.

1 Introduction

A Union in need of reform

Since the relaunch of European integration in the mid-80s, with the completion of the internal market, the European Union (EU) has steadily increased its competencies. Policy areas previously within national domains became common policies through the Maastricht and Amsterdam Treaties during the 90s. In addition to the increased competencies and the expanded policy agenda of the Union, during the first decade of this new century most of the applicant countries queuing for membership in the EU are expected to become full members. The eastward enlargement will bring in new members which differ from the existing ones – economically, culturally and politically – to a larger extent than at any previous enlargement of the European integration project. Eastern enlargement might eventually double the size of the EU as we know it today and all new members will become net beneficiaries.

This put pressure on the EU to adjust. Reform of its institutions as well as of major policy areas are necessary in order to have a Union that is efficient and financially viable, and functioning internally as well as in its external relations. The need for reform is a challenge for the EU decision-making system, which is “peculiarly dependent on negotiation as a mode of reaching agreements on policies” (Wallace 1996:32). Adding amendments to previously negotiated agreements, in order to adjust the Union to new circumstances, has increased the complexity of EU decision-making, rendering major reform of “the negotiated order” a difficult task (Smith 1996).

This work aims to give a picture of the characteristics of negotiations aiming at major reform¹ and the main obstacles hindering reform in an increasingly complex European Union.

Design of the study

The analysis is based on a case study of reform negotiations of the Common Agricultural Policy (CAP): the Agenda 2000 negotiations (1997-1999), which aimed to prepare the EU for eastern enlargement and other challenges during the first decade of the new century, such as a new WTO round.

The CAP is a policy area well known for its reluctance to change. Ever since its inception as a fully common policy in 1968, it has been subject to reform attempts. The CAP could thus be assumed to demonstrate clearly the difficulties of reforming the EU's negotiated order. However, since it constitutes the oldest common policy area of the European Community/Union, the positive effects, which can arise out of permanent negotiations, should also be present. In addition, in the case studied both internal and external pressure for reform existed, which is expected to increase the propensity for reform.

It is here argued that "a single case study can contribute to genuine understanding and to scientific generalisation" (Johansson 1997:28). An in-depth analysis of a case can provide us with important knowledge of the mechanisms at work in the phenomenon we are interested in, i.e. have a heuristic value. This is especially relevant in a study of this kind, when we do not have any specific knowledge of the phenomenon previous to our own research.

The focus of interest is on negotiations at Council level, with other levels referred to when negotiations and positions taken at these levels exercise important influence on the Council negotiations. As Hayes-Renshaw and Wallace state in their comprehensive study of the Council, this is not to deny the relevance of other institutions or actors than the states "but simply to assert that, whatever view we take of EU negotiations, we have to be able to substantiate it with our observations and interpretation of the Council" (Hayes-Renshaw and Wallace 1997:253).

Material

The empirical material, which the analysis of the case study is built upon, mainly derives from three different kinds of sources. First, official EU documents, such as the Commission's proposals and the conclusion of the German Presidency in 1999, which contains the final decisions. Secondly, material from *Agra Europe* (AE), a weekly newsletter providing much "insider information" and many detailed accounts of what is going on within the CAP, both formally and informally. Finally, seven in-depth interviews with persons who were closely involved in the negotiations constitute an important part of the material. The knowledge of previous reform negotiations of the CAP derives mainly from secondary sources but also to some extent from the interviews.

The interviews have been carried out in accordance with the elite interview method, according to which the respondents' knowledge of the object of study is more important than the respondents being representative in any way (Stenelo 1984:29). Still, through interviewing persons representing different institutions and member states with different views on the CAP, it is hoped that the picture of the negotiation process is as complete as possible.² The interviews will be used as a general source, without referring statements to specific names.³ The reason for this is twofold: first, the purpose is to get a picture of a negotiation process, not to study the respondents' personal interpretations. Secondly, negotiations are usually surrounded by secrecy and informality. The respondents might have provided less information, were they to be quoted by name. It can of course be argued that this poses problems for the critical treatment of the sources. However, it has been possible to check most of the information obtained during the interviews, either with other respondents and/or with the other kinds of material used.

2 Reforms, negotiations and reform negotiations

Reform

As a political phenomenon, the EU is by no means unique in demonstrating reluctance to change. Political institutions, as well as the policies they generate, often demonstrate considerable reluctance to reform, despite internal or external pressure for change. Both actors and institutions of a particular political system tend to act and function in ways which contribute to conserving the existing order. Regarding the actors, a reform proposal usually mobilises those who risk losing existing benefits to a larger extent than those who could gain from changes. It can be unclear who will gain through a reform and in what ways, or the gains can be distributed over a large group with very small gains for each individual. The losses can also be perceived as more “real” than the possible gains which might be made. Therefore, those who act in order to prevent reform tend to be more active than those wishing to see a reform adopted.

As stated by March and Olsen, “institutions are usually associated with routinization and repetition, persistence and predictability, rather than with political change and flexibility, agency, creativity and discretion. Surviving institutions seem to stabilize their norms, rules, and meanings so that procedures and forms adopted at birth have surprising durability” (1996:258). Once established, institutions seem to take on lives and deaths of their own, “sometimes enduring in the face of apparent inconsistency with their environments, sometimes collapsing without obvious external cause” (March and Olsen 1996:255). Institutionalisation thus contributes to cementation of the existing order.

However, when discussing reforms, we have to bear in mind that there are *different degrees of reform* and that the resistance to change is likely to be greater the more fundamental the proposed reform is. Daugbjerg (1999:412) has developed a classification of policy reform outcomes⁴, which provides a useful starting point in this discussion:

- First order changes (moderate reform):
Instrument settings, or levels, are changed. Objectives, instruments and policy paradigms remain the same.
- Second order changes (moderate reform):
Objectives, instruments and their settings are altered. Policy paradigms remain the same.
- Third order changes (radical reform):
Objectives, instrument settings, instruments and policy paradigms are changed.

A first order change is likely to be of an incremental nature and a result of routinized decision-making, normally associated with the policy process (Hall 1993:280). The concept of reform will in this work refer to second and third order changes, unless something else is explicitly stated. Although the former of these reforms are characterised as moderate, while the latter is characterised as radical⁵ according to Daugbjerg's classification, they have a large degree of politicisation in common: both are the result of political decisions rather than bureaucratic or technocratic decisions. The focus of interest in this work is thus on negotiations aiming at politicised reforms.

Negotiation as a mode of decision-making in the EU

As stated in the introduction, Helen Wallace has argued that negotiation is "a predominant mode of reaching agreements on policy" in the EU (1996:32). While her thesis of the centrality of negotiations in the EU decision-making process has become widely accepted among researchers as

well as practitioners of European affairs in recent years, the *character* of these negotiations remains a matter of dispute.

The main issue of disagreement is the role of the state, which is of importance for the kind of negotiating behaviour to expect. Intergovernmentalists, who draw upon neo-realist theories of international relations, argue that the states are the main actors in EU negotiations as well as in other international negotiations. Since primarily national interests drive the states, EU negotiations are characterised by hard bargaining and agreements will often be based upon a lowest common denominator (e.g. Moravcsik 1993).

An opposing perspective, multi-level governance, holds that actors other than the states also have a large impact on EU negotiations. The state is not an exclusive link between domestic politics and EU-politics, but rather one among many different actors, which on several levels take part in and affect the negotiations leading to decisions in the EU. With a multitude of different actors in the process, there is less room for national interests. Other interests, such as sector-specific, bureaucratic and common interests, are also important factors, affecting the process and the outcome of the negotiations (e.g. Marks et al 1995). In addition to the multitude of actors and interests, the permanent negotiation machinery of the EU serves to encourage cooperation among the participants. One can observe not only a “shadow of the past”, i.e. experiences of cooperation in the past and the development of common norms and codes of conduct, but also a “shadow of the future” (Axelrod 1984). “If players in a negotiation game are certain to meet again, and the future is sufficiently important relative to the present, mutual cooperation between egoists is possible” (Elgström and Jönsson 1998:5). The continuous negotiations in the EU are therefore argued to enhance problem-solving, often resulting in agreements up-grading the common interest.

Relating to this discussion of the characteristics of EU negotiations, Elgström and Jönsson draw the conclusion that “there is variation rather than *one* typical negotiation process in the EU” (1998:1). Their argument is that the negotiation process to a large extent varies with context. “Bargaining” (dominated by national interests) and “problem-solving” (dominated by a considerable common interest) both exist in EU negotiations, side by side, but under some circumstances one is more predominant than the other is. This observation is of course relevant in relation to reform

negotiations, on which context is also likely to have an impact. It will therefore be further developed in chapter four, which relates the findings of the case study to a theoretical discussion on reform negotiations in the EU.

Specific characteristics of reform negotiations in the EU

Supranational compromises and linkages

Based on literature on negotiations and EU decision-making in general, it is here argued that EU reform negotiations possess at least two specific characteristics, which by *their combination and extent* differentiate these negotiations from negotiations on both national and “purely international” levels in a reform perspective: the inert *supranational compromise* and the frequent and extensive use of *linkages* (package deals and issue linkages).

Compromise is here defined as the process by which mutual synchronization of the parties’ standpoints and negotiatory positions are brought about, “to a degree that insures the actual achievement of an agreement”, i.e. a compromise solution (Stenelo 1972:191). Stenelo argues that supranational decision-making stimulates the propensity to compromise, and that these supranational compromises are more complex than their national counterparts (Stenelo 1991:226). The supranational compromise is preceded by compromises reached on lower levels, in different political cultures, which makes it inflexible or inert. The inertia is self-reinforcing in that the parties are aware of the difficulties in “simultaneously making mutual retreats from common positions” (my translation, Stenelo 1991:230–231).

As new compromises are built upon previous ones and linked to each other, further compromises are becoming increasingly difficult to reach. The room for compromises decreases, since every new compromise pre-

sumes the breaking up of an old one, which is usually associated with considerable political cost since more than one level is involved. A supranational compromise is therefore more resistant to change than a national one (Stenelo 1991:232, 238). It should here be mentioned, however, that this also brings with it positive consequences. The inertia effectively hinders hastily agreed decisions of ad hoc- and short time character and supranational compromises can give rise to a supranational consensus culture, in which national interests are merged into common, supranational interests. In stable, permanent supranational decision-making structures this can contribute to generate trust among the parties, which in turn increases the propensity for diffused reciprocity in the negotiations (Stenelo 1991:229-230).

Stenelo's concept of supranational compromise refers to any bilateral or multilateral interstate compromise, e.g. those reached in international organisations. He thereby defines the concept broadly, not referring in particular to the kind of supranational decision-making as found in the EU. On the contrary, his supranational compromise is of intergovernmental character, developed for the interdependent international system in general. In this interdependent world, when democracies to an increasing extent co-operate and participate in common decision-making, the compromise as a political phenomenon becomes highly central, according to Stenelo (1991:226-227). Considering that the interdependence is greater and more complex among the members of the EU than in any other cooperation between states, the supranational compromise could be expected to have an even more profound impact on the decision-making system in the Union.

Closely related to the supranational compromise (but not necessarily linked to it, since the supranational compromise technically could involve just a single issue), is the linking between different compromises. This linking is considerable in the EU decision-making process and has come to characterise "the Community method" of decision-making. The higher the political level, the more frequent is the use of issue linkages and package deals (Spence 1995:385). Within sectors, linking is "facilitated by the vertically organized work of the Council and the Commission; across sectors, [it is] helped by the European Council at head-of-government level, by the coordinating role of the General Affairs Council and by the Commission in its struggles to retain a collegiate identity" (Wallace 1990:224).

The purpose of linking is to enhance the prospects of creating win-win solutions, thereby increasing the propensity for integrative negotiations. According to neofunctionalism, the use of package deals and issue linkages also serves as a means to upgrade the common interest. However, despite the creation of linkages and packages, win-win solutions are not always possible and reciprocity therefore plays an important role in distributing the burdens and allocating the benefits among the members (Wallace 1990:224).

The role of coalitions, leadership and mediation

In the process of preparing compromises and linkages, coalition building, leadership and mediation play important roles. A coalition is defined “as a set of actors that coordinate their behaviour in order to reach goals they have agreed upon” (Elgström 2000). Multilateral negotiations are argued to affect coalition building differently compared to their bilateral counterparts: with more than two parties (or coalitions) negotiating over multiple issues, there is increased likeliness of divisions within the parties (or coalitions), i.e. the existence of crosscutting cleavages. The division of a party may also shift with the issue of negotiation, so that an actor finds its opponent on one issue to be its ally on another. Compared to reinforcing cleavages, which usually prevail in bilateral negotiations and which are believed to result in polarised positions, crosscutting cleavages increase the prospects of package deals, which further promotes the likelihood of integrative, win-win solutions (Hopmann 1996:254-255).

However, also in multilateral negotiations – not least when important national interests are at stake – states can act *as if* they were unitary actors (Torreblanca 1998:148). Albeit this decreases the prospects of integrative solutions, coalitions are by no means superfluous. Coalitions reduce the number of negotiating parties, thereby serving to “simplify” the process. Also, through engaging in coalition building, a state can try to enhance its own interests, building coalitions with like-minded or with those with whom one can make tradeoffs, and then try to influence the other players in the game.

In the context of the EU, coalitions based on crosscutting cleavages and “unitary” actors are both present, and could be expected to be central to

the negotiation process. The reform-minded actors are likely favoured by crosscutting cleavages, since internal divisions increase the propensity for package deals and, probably, also for agreement on reform. With “unitary” actors, however, the positions are more cemented. In a study on coalition patterns in the EU, Elgström argues that “[a] few determined states can often prevent decisions that are against their interests if they are committed enough”, which implies that it could be enough with a few actors defending the status quo in order to hinder reform. The strong prevalence of the consensus culture⁶ contributes to the reluctance to ignore minority interests (Elgström 2000).

A leader is here defined as an actor actively driving the negotiations forward, concerned primarily with collective goals rather than pure self-interest (Sannerstedt 1998, Malnes 1995), while a mediator is defined as an actor intervening when a conflict has occurred, in order to secure the reaching of an agreement (modified definition of Stenelo 1972:37). It should, however, be mentioned that these distinctions are sometimes blurred in real negotiations. Leadership and mediation are central in the working out of agreement – or compromises – between different coalitions. A leader or mediator performing its task well will clearly enhance the prospects of agreement on reform. In the EU, the Commission and the Presidency are the actors most often assigned such roles. In a working paper, Sannerstedt states that in Council negotiations, the Commission is expected to exercise the strongest leadership. The Presidency is expected to act mainly as mediator, albeit its role as leader also could be considerable (Sannerstedt 1998:5–6). However, it must be remembered that these actors are no neutral arbiters, that they also have interests of their own, even if they have a key interest in finding common ground (Wallace 1990:217).

3 The case: CAP within Agenda 2000

Reforming the CAP

Background

The objectives of the CAP were set out in the Rome Treaty (Art. 39). These objectives were clearly marked by the state of agriculture in the immediate post-war Europe, where food shortages were a reality for many Europeans. Securing the supply of agricultural products therefore became the main priority, which would be achieved through artificially high prices within the common market, in order to stimulate production. In order to secure farmers' incomes, the Community also committed itself to buy eventual surplus production, which could not be sold at the prices set.

However, the development of modern agricultural technology, in combination with the stimulation for increased production generated by the high prices, soon reversed the situation: too much, instead of not enough, agricultural products were produced in the Community. This was the situation already when the CAP became a fully common policy in 1968. The Agriculture Commissioner at the time, Mansholt, launched the first reform proposal of the CAP that very same year. In 1972, a watered-down version of his proposal was put into effect, however, essentially the CAP remained unreformed (Ingersent et al 1998:2). This was a pattern which would repeat itself over the years to come.

One solution, in order to get rid of the mounting surpluses, was to subsidise exports, selling the products cheaply outside the common mar-

ket. But with growing surpluses this solution became extremely costly, and with increasing trade liberalisation it also became a recurrent issue of dispute between the Community and other actors on the world market. The pressures, budgetary within the Community as well as from trade partners externally, increased during the 80s and 90s. A long series of reform attempts followed, none of which brought about fundamental change in the policy. The most wide-ranging reform so far was the MacSharry reform in 1992, the central elements of which were phased reductions in support prices, mainly for cereals, supplemented with direct aid payments and with support partly decoupled from production (Grant 1997:77-78, Ingersent et al 1998:3-4). By substituting support prices by direct payments as the principle instrument for the support of agriculture, the agricultural support became more transparent – something which farmers' organisations and member states in favour of the status quo feared would increase the demands for reform among Europe's consumers and member states considering the policy area as far too expensive.

Agenda 2000: Pressure for reform

At the summit of the European Council in Madrid in December 1995, the Commission was asked to present, as soon as possible, a document on the challenges which the Union would be likely to face in the immediate future, with emphasis on the preparations for eastern enlargement. This document was to contain an evaluation of each applicant's readiness for EU membership, as well as a detailed analysis of the finances of the EU in the first years of the new millennium (2000-2006) and assessments of the implications of enlargement for major policy areas.

As a response to this request, the Commission presented its first Agenda 2000 proposal in July 1997. Here, the Commission outlined "the broad perspectives for the development of the Union and its policies beyond the turn of the century, the horizontal issues related to enlargement, and the future financial framework beyond 2000 taking account of the prospect of an enlarged Union" (Commission 1997:3). The financial aspects played a central role in this evaluation, since all new members will become net beneficiaries. It is therefore of utmost importance that the Union has a well-prepared financial plan for the process of enlargement, in order to accept and integrate the new members successfully.

The need for strong finances put pressure on reform of the two most costly policy areas in the EU budget – the Common Agricultural Policy and the Structural Funds. Extending these policy areas to new members without reforming them prior to enlargement would be financially impossible for the Union. Especially the CAP, being the most expensive of the two and being argued “to pose the greatest political, economic, budgetary and administrative obstacles to the accession process”, was regarded as in urgent need of reform (Centre for European Policy Studies (CEPS) Working Party Report No. 25 1999, p. i). There was also an external dimension to the need of reforming the CAP: to fulfil the Uruguay Round Agreement and to prepare the Union for the next WTO round (Commission 1997:28-29).

The negotiation process: Pivotal events

The Agenda 2000 process stretched over almost two years. It was initiated with the Commission’s first proposal in July 1997, and ended with the final decision by the European Council in March 1999. The analysis will focus upon the pivotal events during this process, which in addition to the beginning and ending of the process are deemed to include the detailed CAP proposal presented by the Commission in March 1998 and its responses, as well as the final negotiations by the Agriculture Council in March 1999.

Albeit the negotiations went on continuously over two years, these periods have been chosen since they marked the most intensive periods of negotiations, according to those involved in the process (interviews). During these periods, the parties were more active in working out positions, taking stance on proposals and searching for allies than during the intervening periods. These time-periods can therefore, to some extent, be said to constitute “games” of their own within the larger negotiating game. However, important events taking place during the intervening periods will also be mentioned.

In the analysis of this negotiation process, the spotlight will fall more upon some actors and issues than others. This selectivity is, however, quite natural, since certain actors and issues influenced the negotiations to a large extent. The central actors were Sweden, Denmark and the United King-

dom on the one hand, urging radical reform, and Germany and France, on the other hand, vociferously defending the status quo (even, as we shall see in the analysis, though Germany was internally split on the issue of reform and also, to some extent, became more open for reform with the new government). Other actors will be mentioned when their acting had a substantial impact on the process, often through aligning with one of the opposing sides or acting as mediators. Regarding the issues, the proposals on the CAP in Agenda 2000 were extensive and also of a quite technical nature. The two issues most frequently referred to in the analysis are the question of dairy reform and the question of whether the member states should co-finance agricultural support, which became the most contentious subjects in the negotiations.

Initial positions: Responses to the Commission's proposal, July 1997

The issues in the first proposal which became most important to the negotiation process included: substantial price cuts coupled with direct income aid in the beef and cereals sectors and to a lesser extent in the milk sector; decentralisation of policy implementation, with more margin being left to member states and regions; and the unsettled question of whether or not to make moderate reforms in the milk sector (Commission 1997).

In statements preceding the official presentation, Agriculture Commissioner Fischler made it clear the Commission would propose quite substantial price cuts in the beef and crop sectors, bringing the prices closer to world market levels. This would be done in the spirit of the MacSharry reform, e.g. by compensations in form of direct payments. In both these sectors, large and costly surpluses were expected in the immediate future, and the need for reform was accepted by most member states, albeit their views differed on the acceptable levels of the price cuts and the compensations (AE 6 June 1997).

The third major sector of the CAP, the dairy sector, was a controversial issue within the Commission previous to the launch of the proposal. While most Commissioners were keen to begin reform of this the least reformed sector of the CAP, Fischler deemed it less urgent. He argued that less costly surpluses were expected in this sector, but his hesitation about proposing a reform of the dairy sector was likely also influenced by the fact that there

was considerable disagreement over the sector among the member states, especially regarding the continuation of the milk quota system. A reform proposal would be likely to give rise to difficult negotiations (AE 6 June 1997). In the proposal, eventually, the Commission suggested price cuts along with direct payments, while the issue of a more thorough reform of the sector remained open.

From the outset, then, the issue of milk reform was one of the major bones of contention in the negotiations. Germany and Austria, both with large domestic interests in keeping milk quotas, were spearheading the campaign for maintaining the status quo in the Agriculture Council. There was, however, internal disagreement on the issue, mainly in Germany. In the short term, a radical reform would be more costly than preserving the status quo, since compensations would have to be paid during a transition period. However, in a long-term perspective a reform would save net contributors, such as Germany and Austria, money. The German Ministry of Finance therefore viewed favourably a radical reform of the dairy sector. France strongly opposed any removal of the quota system. Unlike Germany and Austria, however, France had “all to win” by saving the quotas, being a net beneficiary of the CAP and only a minor overall net contributor.

The United Kingdom, Sweden and Denmark argued in favour of a total removal of the quota system at its expiration in April 2000. These three member states, the first two being net contributors to the EU budget, usually take the most reform-minded position in the Agriculture Council. The reform-minded group sought close cooperation with the Commission, trying to influence it to propose major reform. Overall, albeit most member states were in favour of keeping the quota system, at the outset there was no clear majority on any of the discussed options, which in addition to the two options already presented also included two-tier pricing and increase in quotas.

However, the French used the linkage between milk reform and the EU budget in a strategic way in the negotiations. As already mentioned, a radical reform of the milk sector would initially lead to increased costs. Therefore, France suggested early on in the negotiations that the member states should agree upon a ceiling on CAP expenditure, which the net contributors were in favour of. But by agreeing to this, they also contributed to reduce the scope for more radical reform – which was in the interest of France.

Middle game: Detailed CAP proposal in March 1998 and its responses

The detailed CAP proposal “marked the beginning of the real negotiations”. With this it became clearer what the Commission really wanted. Compared to the first proposal, the price cuts remained about the same for cereals and beef, however, with lower compensations. In the milk sector, the Commission proposed a larger price cut than previously (15 per cent instead of 10 per cent) and a two per cent increase in quotas, of which half would go to mountainous regions and the other half to new entrants to farming. The Commission avoided setting a deadline for the quota system; instead it was content with stating that the current system would not be sustainable in a long-term perspective. The issue of a new division of functions between Brussels and the member states remained on the agenda, with the Commission proposing that member states should have more flexibility in allocating aid payments (Commission 1998).

These new – or more detailed – proposals were, according to a majority of the Agriculture Ministers, “even less acceptable” than the previous proposals (AE 3 April 1998). The suggested allocation of the increased milk quotas received vociferous opposition from several member states. Italy, dissatisfied with what it considered as too low a level for its quota and whose farmers had been staging massive protests against the quota regime, aligned with the reform coalition on the issue, demanding an end to the quota system. Italy’s reasoning was clearly that rather than to allow the “injustice” in regard to its share of the quotas to continue, it would prefer the system to be brought to an end. With Italy joining the three member states opposed to the quota regime, this group now constituted a blocking minority in the Council. The London Group, as these four member states became known, was favourably viewed by the Commission, since its stance increased the scope for talks on reform – and thereby also the role of the Commission in the negotiations. In the summer, the London Group presented a common reform proposal to the Council and the Special Committee on Agriculture (SCA)⁷. The proposal suggested a 30 per cent price cut and phased increases in milk quotas, eventually leading to the abolition of the quota regime.

France continued to oppose reform of the milk sector as well as of most other sectors. After bilateral meetings between Prime Ministers and Agriculture Ministers, France united with Ireland in an overall protest against

the CAP proposals. France also joined in an alliance with Germany on the issue of milk quotas. Germany, however, continued to be split over several of the proposals. Germany's ambivalence was not only a result of splits within the Kohl government – between the Ministries of Finance and Agriculture – but also affected by the upcoming election in September. A spokeswoman from the Social Democratic Party stated that if it won the election, the SPD would support radical reform of the CAP.

Despite the United Kingdom's rather efficient Presidency in regard to the CAP negotiations, which made progress on several dossiers, the uncertain state of Germany's position, depending on the eventual outcome of its election, led to a standstill in the negotiations which no actor was able to break. In May, Agra Europe reported that "there is growing recognition among [agricultural] ministers on the need to negotiate a rapid conclusion to CAP reform in tandem with the rest of the EU's (non-agricultural) Agenda 2000 package, for which the Europe's foreign ministers have overall responsibility. Without agreement on CAP reform, farm ministers recognise that they run the risk of being 'sidelined'..." (AE 29 May 1998). However, not even the risk of losing influence to the Foreign Ministers pushed the Agriculture Council, now led by Austria, towards any substantial progress during the second half of 1998.

Instead, a discussion document issued by the Commission in October contributed to the deadlock even after the German election, which was won by the SPD. The document discussed a series of options for changing the funding of the EU, intended to please the net contributors. The Commission suggested that up to 25 per cent of direct aid payments under the CAP should be paid direct from national budgets rather than the EU budget. As stated by Agra Europe, "it seems unlikely that member states will show a great deal of willingness to agree to CAP reforms while they remain unsure about how the policy will be financed" (AE 9 October 1998). France, already reluctant to agree on reform of the CAP, declared it would oppose any measure of co-financing.

End game: The final decisions in March 1999

The farm ministers' proposals were less ambitious than the Commission's because they phased in the price cuts. The Agenda 2000 package that was finally approved by the European Council was even more watered down than that of the farm ministers, calling for smaller cuts in support prices and delaying the implementation of dairy reform (USDA 1999:15).

The Agriculture Council was scheduled to hold its last negotiating Council in February in order to resolve all details before the Summit in March. However, the February Council stalled on the issue of re-balancing EU funding. Germany, Austria, Sweden and the Netherlands had all declared their support for the Commission's proposal on co-financing and most other member states accepted it – France constituting the exception. With the question of co-financing not resolved, France refused to sign up to a package of agricultural reforms until a financial framework for an overall EU budget was settled by the heads of government (AE 26 February 1999). However, France accepted to a degree that “the expenditures for agriculture were increasing too much with the reform proposals by the Commission” (Ferrer and Emerson 2000:8-9). Therefore, it proposed lesser price cuts, abandonment of milk reform and *degressivity*, meaning payments would be cut over time, in order to bring the costs down.

An impasse in the Franco-German relation followed France's proposal, which Germany regarded as less favourable than co-financing. The frictions between the two member states increased when France in a press statement accused Germany, who was now holding the Presidency, of acting in the national interest and not as a neutral Presidency. The Franco-German impasse was not broken until the beginning of March, after bilateral negotiations which resulted in “a highly diluted proposal”, demonstrating that Germany “did not regard substantial agricultural reforms as necessary” (Ferrer and Emerson 2000:9). The London Group contested the joint Franco-German proposal, and the negotiations stalled once again.

In an attempt to break the deadlock, the German Presidency made a final move and proposed a package, which was similar to the original Commission proposal. The German proposal, however, reduced overall expenditure for the period until 2006 by delaying the introduction of milk reform and introducing transition periods for the remaining reforms (Ferrer

and Emerson 2000:9). The Agriculture Council finished its negotiations on March 11, after a marathon stop-start Council lasting two and a half weeks, which resulted in a non-voted “agreement” (AE 12 March 1999).

The Agricultural Council *de facto* left the situation unsolved and open to change in the Berlin Summit, partly because there was no time to further delay the issue. The Presidency’s claim that an agreement was reached was clearly not shared by France and some other member states, which hinted that all was open for negotiation in Berlin (Ferrer and Emerson 2000:9).

The French view was well illustrated by the Agriculture Minister Glavany, who stated: “I can’t consider that a decision has been taken because there was no vote”. Fischler, on the other hand, claimed that “radical reform” had been agreed in the Agriculture Council (AE 12 March 1999).

At the European Council meeting, Germany hoped to exercise influence on the CAP by putting it as the first item on the agenda to be solved, within the Agenda 2000 package.

The need for a positive conclusion of the Agenda 2000 should have pressured the member states to accept a solution favoured by the Presidency. If this expectation were to be true, it backfired. The French took the opposite view. If the successful conclusions of the overall Agenda 2000 are of paramount importance for the EU and in particular for Germany, then France can just force through its own interests by simply not co-operating (Ferrer and Emerson 2000:6).

At the Summit, the frictions between France and Germany were once again evident. With Schroeder, Germany had become somewhat more open to reform, while the French President Chirac, former Agriculture Minister and dependent on farmers’ votes for his re-election as President, still wished the minimum of reform to be adopted. In the end, Chirac’s knowledge of the policy area and his strong-arm tactics “forced his colleagues to lever open the CAP consensus reached on March 11, at which point the German Presidency worked to accommodate his demands in order to avoid the political embarrassment of negotiations collapsing. The total package of Agenda 2000 needed unanimous support from all delegations” (AE 26 March 1999). It was clear that bringing the CAP back into line would probably involve some substantive reopening of the compro-

mise. Agricultural reforms were therefore cut down considerably at the last minute, at French insistence.

The final decision, which included lesser price cuts than agreed by the Agriculture Ministers and the question of degressivity left to future negotiations, was facilitated by the breaking up of the London Group. From the outset, there had been a great risk of “prisoners’ dilemma” in the coalition, implying that member state/s leaving the coalition could make individual gains. Italy, who had been campaigning for an increase of its quota for quite some time, was finally bought out by increased quotas by Germany and France. The Agriculture Ministers’ decision on initiating reform of the milk sector in 2003/2004, and possibly ending the quota system, was replaced by the European Council’s decision to delay dairy reform until 2006 (Europeiska Rådet 1999:8). However, as a result of the hard bargaining by the London Group, it was decided that an overview of the quota system would be held in 2003. After all, the group had clearly had an impact on the negotiations and it had demonstrated more internal coherence than those opposed to its radical proposal had thought possible at the start.

CAP/Agenda 2000: An opportunity lost – again

“The EU faces a historic opportunity to make substantial improvements to its Common Agricultural Policy, and the opportunity must be taken”.

Elliott Morley, UK Minister for fisheries and the countryside
(AE 26 February 1999)

With the pronounced aim of reforming the CAP in order to prepare the policy for the integration of new members and for the Union to be able to comply with the Uruguay Round Agreement and to enter a new trade round – likely to demand increased liberalisation in agricultural trade, the outcome of the reform negotiations must be considered unsuccessful. This was underlined by most of the respondents, who – despite different views on the desirability of a reformed CAP – stated that a new reform attempt would be likely to start before 2003, in order for the Union to live up to its commitments in these regards.

In regard to eastern enlargement, the Agenda 2000 outcome is based on the assumption that the new members will not receive any direct payments. The argument is that the new member states have not suffered from the price cuts caused by the MacSharry and Agenda 2000 reforms, and therefore cannot expect any compensation such as direct payments. Most respondents, however, considered it difficult to deny the new members full inclusion in the CAP, since they, in turn, are expected to adopt the whole *acquis communautaire*. Also, as pointed out by some of the respondents, when Sweden, Austria and Finland became members in 1995, they received direct payments despite the fact that they were not in the EU at the time of the 1992 reform. The postponement of milk reform also poses problems: unless a reform is initiated before enlargement, the new members will have to introduce the quota system – an administrative nightmare in itself – and then participate in the negotiations concerning their removal (Ferrer and Emerson 2000:20).⁸

The internal and external pressures existing at the time of the negotiations clearly constituted a window of opportunity for major reform of the CAP – as did the budgetary crises during most of the 80s and the Uruguay Round in the early 90s. Still, every reform attempt ended in fine-tuning of the policy rather than in major reform. Writing on grand budgetary bargains in the EU, Laffan argues that there is a high degree of path dependency in institutional development – and the policies these institutions generate – but that transformation can take place in times of crisis, “when a critical moment is transformed into a critical juncture” (unpublished, p. 5). In the case of the CAP, however, so far every critical moment or window of opportunity for major reform has been lost.

Supranational compromises and linkages

The CAP/Agenda 2000 negotiations demonstrated that supranational compromises and linkages – and their combination – had a considerable impact on the negotiation process and on the possibilities to reach an agreement on major reform of the policy area. This seems to be true also for previous reform negotiations within the CAP.

The supranational compromises, on which the CAP is built, are likely to be very complex and multiple-layered since the CAP is the oldest com-

mon policy area in the EU. As discussed in chapter 2, when new compromises are built upon previous ones and linked to each other, further compromises are becoming increasingly difficult to reach. Breaking up or changing previous compromises are associated with considerable political costs. The CAP is also a policy area characterised by strong national interests, which increases these costs and the difficulties of reaching agreement between member states that have to take their domestic political situations into careful consideration. In the analysed negotiations, the national interest was, as many times before, most vigorously defended by France.

The bilateral relation between France and Germany, expressed as a necessity of a Franco-German compromise, has traditionally been considered among the factors most decisive to the outcome of CAP negotiations, or in this context, in order to reach a supranational compromise. Webber, who has analysed agricultural crisis politics in the EU in the late 60s and early 90s, argues that “where both governments opposed a given project, it was blocked; where both supported it, it was approved; where the two governments were divided, the outcome – until such time as they found a *modus vivendi* – was crisis and deadlock” (1998:1). The tensions between these two member states, mainly during the German Presidency, give weight to Webber’s argument. The negotiations remained stalled until the two had reached a bilateral compromise. At the same time, however, other member states – mainly the reform coalition – exercised great influence on the negotiations. Nevertheless, in all cases, domestic considerations seem to have been the dominant influence on the member states’ actions, which makes a new supranational compromise hard to agree on.

The Agenda 2000 negotiations did not demonstrate much evidence of a supranational consensus culture, one of the positive consequences of the supranational compromise, which could be expected to have been formed over the years. Many accounts of the CAP characterise the Agriculture Council as “club-like”, in that the ministers often regard each other as allies and their colleagues from the Finance Ministries as the opponents. This is partly true, and more so for some of the member states (e.g. Germany). Still, national interests prevail over any major common interest, or supranational consensus, in the policy area. The reasons are probably twofold: first, the CAP is a redistributive, and to a certain extent also distributive, policy, which accounts for more than 50 per cent of the EU budget, implying that large sums of money are at stake for the member states, either as beneficiaries or contributors. Secondly, as pointed out by one of the

respondents, despite being common in name, the CAP has been based on certain measures, such as the use of green money⁹, which have contributed to give it a national rather than a supranational character. The prevalence of national interests was demonstrated in the paralysis of the Agriculture Council, despite the ministers' awareness that they risked losing influence to the Foreign Ministers, negotiating on the rest of the Agenda 2000 issues, by postponing the reaching of an agreement on their policy area.

The negotiations involved extensive linking within the sector, which is a common feature of EU decision-making. However, previous linking reduced the scope for integrative solutions, serving to restrict new creative linking. In regard to cross-sector linking, or package deals, the CAP often exerts more influence on other policy areas than vice versa. The Berlin Summit spent most of the time dealing with this policy area, being able to solve other contested issues only after an agreement had been reached on the CAP (Ferrer and Emerson 2000:9). But the fact that no clear decisions had been agreed in the Agriculture Council left the CAP more open to the negotiations between the heads of governments at the Summit, with the policy as part of the package they had to agree upon. Hereby the CAP became more intensively linked to other policies than it would likely have had, had the Agriculture Ministers been able to make all "final" decisions. This will, of course, in its turn serve as a hindering factor in future reform negotiations.

The role of coalitions, leadership and mediation

Coalitions building on crosscutting cleavages across member states and institutions, most importantly the Commission in the beginning of the process, as well as coalitions based on "unitary" actors were present during the negotiation process. The loose coalition campaigning for status quo, with France, Germany and Ireland at its core, represented both types, with France and Ireland as "unitary" actors and Germany plagued by internal divisions. The reform group, with the third large member state, the United Kingdom, had both sector specific and an overall budgetary interest in a major reform of the CAP. The members of this coalition were thus fairly coherent internally, and they sought close cooperation with the Commission, hoping to influence it to propose major reform. The Mediterranean mem-

ber states formed a third large coalition, which has not been mentioned here since its main interests related to sectors that figured little in the negotiations (with a partial exception of the milk sector, where most of these member states wanted an increase of the quota).

In the status quo coalition, there were clearly problems in the Franco-German alliance, which was weaker than at any time previously, even though this alliance always has been based on conflictual cooperation (Webber 1998:35). The problems became acute during the German Presidency. Still, they were insufficient to break up the alliance this time, which was probably closely related to the fact that Germany needed agreement with France in order not to risk the final agreement of Agenda 2000 – and the political embarrassment that would follow for the Presidency.

However, some respondents considered it quite possible that the problems demonstrated in the Franco-German relation during these negotiations and, perhaps most importantly, Germany's internal division, might lead to the breaking up of the alliance in future reform negotiations on the CAP, with Germany approaching the reform coalition. This would also imply the breaking up of the existing stable coalition patterns in the Agriculture Council. The consequences of such a change could be argued to point in two opposite directions: on the one hand, it might increase the prospects of reform in the future. The breaking up of cemented positions would provide more room for the reform-minded actors. On the other hand, it might make reform negotiations even more difficult, considering the importance of a Franco-German compromise.

The negotiation process lacked a clear leader. In several other EU policy areas, France and Germany are often described as being in the driver's seat, driving integration forwards. In the case of the CAP, however, neither one has acted as a constructive leader, but rather as laggards because of their domestic political considerations. Germany had an important opportunity to demonstrate leadership or mediating skills, holding the Presidency during the end game of the process. But the new German government, with the Social Democratic Party previously having declared its intention to contribute to a reform of the policy area, was mainly concerned with national interests at the Summit, which restricted the scope for possible reforms. By giving clear priority to its own national interests, the German Presidency probably also lost other member states' confidence in its role as leader and/or mediator.

The Commission was the main mediator in the process. The London Group, by taking an extreme position compared to the rest of the member states, increased the scope for talks on reform and accordingly also the role of the Commission in the negotiations. However, the Commission's internal divisions on the CAP, particularly previous to the launch of the first proposal, and the strong national interests within the policy area, put limitations on its potential mediating role.

Regarding leadership and mediation in this case, it is thus interesting to note that the Commission was considered as the main mediator in the process, rather than any of the Presidencies. These findings contradict the patterns observed by Sannerstedt, in which the Commission often acts as the leader and the Presidency mainly as mediator in Council negotiations (Sannerstedt 1998). There might be two possible explanations for this – which could also be complementary: first, the Commission might be needed as mediator because of the strong national interests which prevail in the CAP, and especially so if the Presidency does not act in a mediating role. However, if no one else then takes on the leadership the negotiations will clearly suffer from a lack of it. Secondly, the Commission was internally divided on the issue of CAP reform, which decreased its potential to act as a strong leader – as well as mediator – in the negotiations.

4 Reform negotiations in the EU

In this chapter, we will take a step up on the ladder of abstractionism, from the concrete to a more abstract level (Lundquist 1993:64). The findings of the case study will here be applied to a theoretical discussion on reform negotiations, based on previous research of EU negotiations in general but also taking into account the specifics of reform negotiations.

In chapter two, the main features of disagreement on the characteristics of EU negotiations were outlined. In relation to this debate, Elgström and Jönsson have underlined the importance of context, arguing that we are not likely to find “*one* typical negotiation process in the EU”, but rather variation along a continuum between “bargaining” and “problem-solving” behaviour, depending on context (1998). We can thus assume that some contextual, or circumstantial, factors will facilitate reform negotiations, while others will render them more difficult – i.e. that there will be different *types* of reform negotiations. In the absence of further case studies, four contextual factors will here be discussed from a reform perspective. Three of the factors are elsewhere argued to influence EU negotiations in different ways¹⁰ (e.g. Elgström and Jönsson 1998, Peterson 1995, W. Wallace 1996), while the fourth factor is considered of specific relevance in the case of reform negotiations.

The purpose is to discuss how the difficulties associated with reform negotiations are likely to vary with context. It is recognised that by applying other contextual factors to our analysis, the picture given could have been somewhat different. However, the four factors here selected could be argued to represent *different dimensions of the context* and should thus at least give a good indication of the impact of context on reform negotiations.

Impact of contextual factors

Policy level

Building on the distinction between high and low politics in the EU context, Peterson defines three policy levels (or levels of analysis): history-making, policy-setting and policy-shaping decisions. According to Peterson, these levels differ in regard to the dominant actors, behaviours and rationality.

History-making decisions “alter the Union’s legislative procedures, rebalance the relative powers of EU institutions, or change the EU’s remit” (1995:72). Clear examples of this kind of decision-making are treaty revisions, however, Peterson argues that concluding declarations of summits also could be included in this category. Especially when the European Council takes crucial decisions about the Union’s budget, by adopting multi-annual financial perspectives, summit declarations could be regarded as history-making, according to Peterson: “Such decisions ‘make history’ because they go far towards determining – for years at a time – the distribution of EU funds between member states and activities” (1995:72). These decisions reflect “distinctly political rationality”, and the dominant actors are usually the member states – which does not imply that these are “unitary actors”, but can be divided by different interests. Nevertheless, as actors in the Council, the member states dominate the decision-making process.

Policy-setting decisions regard specific policy areas and attempt to answer the question “what should be done?”. Decisions are based on political rationality and the Council of Ministers is often the dominant actor, albeit the European Council can act as a “court of last resort” if the Council of Ministers is deadlocked. However, despite the prevalence of national interests, policy-setting negotiations are of a quite informal character, with a “perceived need to forge consensus” between the actors (Peterson 1995:74, Elgström and Jönsson 1998:8). Policy-shaping decisions differ from the other two policy levels in being mainly “non-political”, based on technical and/or administrative rationality. These sector-specific decisions are made

within the Commission, committees and working groups (Peterson 1995:74).

It is plausible to assume that the higher the policy level in Peterson's classification, the more difficult it is to negotiate major reform. Politicisation is likely to increase with policy level, and, so too, are the political costs of negotiating a new supranational compromise. In other words, the inertia of the supranational compromise could be expected to increase with policy level.

Relating this contextual factor to the case study, the overall Agenda 2000 package would be an example of a history-making decision, according to Peterson's definition. However, the negotiation process analysed, that within the CAP, would rather be described as policy-setting decision-making. In the case study, the reform was watered down at the higher level, i.e. the higher policy level implied a lower degree of reform, which is in accordance with the assumption that the higher the policy level, the more difficult it is to negotiate reform.

Policy type

Another contextual factor, argued to influence negotiations, is the type of policy of negotiation. Lowi developed a fourfold classification of policy types for the American federal system (1972), which has also been applied to the EU in attempts to distinguish between different clusters of policy-making (W. Wallace 1996:446, Elgström and Jönsson 1998:10-11): constituent, redistributive, distributive and regulatory policies.

Constituent policies refer to the rules and priorities of the system itself, and negotiations involving such issues are conducted at intergovernmental conferences. National interests, with the member states acting *as if* they were unitary actors, have a large impact and this kind of negotiation is therefore likely to be conflictual and involve tough bargaining. Redistributive policies encompass the transfer of financial resources from some actors to others, which give the negotiations the character of zero-sum games: some members will win, others will lose. However, in the EU, redistributive issues are often dealt with through linking, package deals and side payments, which can serve to increase the prospects of finding integrative solutions.

Distributive policies allocate community funds within sectors. Within-sector conflicts might arise, but “as the negotiations concern transfers of resources to beneficiaries in all member states (although to various degrees)”, cooperation and problem solving usually prevail in these negotiations (Elgström and Jönsson 1998:11). Regulatory policies, finally, are the adoption of common regulations on the activities of public and private sectors among the member states. The negotiations on regulatory issues – with the Commission, committees and working groups as the dominant actors and at times also the European Court of Justice – are argued to include both conflictual and cooperative elements. Conflictual elements could be expected, since regulatory policies at EU level imply some loss of sovereignty for the individual member states. However, regulatory policies can be the result of so-called spill-over effects and thus be regarded as beneficial to the member states, which imply that cooperative negotiations also are plausible (Elgström and Jönsson 1998:11-12).

In their study, Elgström and Jönsson argue that constituent and redistributive policies seem to be most prone to difficult negotiations, while negotiations on distributive and regulatory policies demonstrate a higher degree of problem solving. The former two policy types are therefore likely to be more resistant to reform than the latter two, however, as the authors point out, the empirical material in the study does not give a very clear picture. The uncertainty of the impact of policy types on EU negotiations – and reform negotiations – is thus higher, than the expected impact of policy level.

The CAP is a redistributive, and to some extent, distributive policy. The negotiations within Agenda 2000 had a clear redistributive character, with the possibilities of reaching a new supranational compromise accordingly limited. Linking, both within and across sectors, contributed to the reaching of an agreement at the Summit. However, with the original aim of major reform in mind, the linking which took place could be argued to have made possible a lowest common denominator agreement rather than a truly integrative agreement.

Network characteristics

Policy networks are defined as more or less stable sets of public and private organisational actors, linked to each other by communication and the exchange of resources, such as information and expertise (Jönsson et al 1998:326). They constitute informal structures, which emerge within and as complements to formal organisations, especially when these are complex. The EU, which is a complex and fluid system, has been argued to be “a hothouse” for the development of policy networks (Peterson 1995:69).

Not all policy networks are alike – rather, they demonstrate differences along several dimensions. Peterson distinguishes policy networks in regard to membership (stable or unstable), insularity and strength or weakness of resource dependencies. Policy networks with stable membership, high insularity and strong dependencies among its members, termed policy communities, are found at one end of a continuum, with policy networks characterised by fluid membership, high permeability and weak dependencies among its members, so-called issue networks, at the other end (Peterson 1995:77).

Daugbjerg has analysed the impact of network characteristics on the possibilities to reform a policy area, using Swedish and EU agricultural policies as examples (Daugbjerg 1997, 1999). In line with other studies on policy networks (e.g. Peterson 1995), Daugbjerg argues that policy communities demonstrate a large degree of consensus within the network and that they usually possess considerable power over the decision-making process within a given policy sector. Members of a policy community are likely to favour the status quo, for two reasons: first, there is a risk of unintended political and economic consequences of reform. Secondly, a major reform is likely to affect the existing distribution of power and influence, so that the members holding central and powerful positions in the policy community may lose their power and influence when the policy is redesigned (Daugbjerg 1999:413-414). They have, in other words, no incentive to break up the existing supranational compromise.

In issue networks, on the other hand, “[e]ach member is prepared to break up the compromise and further its own interests when an opportunity arises” (Daugbjerg 1997:130). With fluid membership, there are no shared values and overarching consensus within an issue network, and some members are likely to have an interest in breaking up the existing order.

We can thus assume that a policy area dominated by an issue network is less resistant to reform.

The network characteristics of the CAP, however, come close to the definition of policy community. The network is not only dominated by the farm lobby, but lacks any strong interest countervailing the farmers, such as consumer interest (Daugbjerg 1997:135). There is thus a large degree of consensus within the European agricultural network, which gives its members both the capability and the will to defend the status quo. However, as Daugbjerg argues, in order to have reform demands removed from the agenda, members of policy communities may agree to give limited concessions to reformers. There is also the possibility that consensus within the network may eventually break down and lead to policy changes (Daugbjerg 1999:414).

Internal and external pressures

The wider internal and external environment is always more or less important for a decision-making system. Reform could be argued to be directly dependent on it, since the need for reform arises due to internal and/or external pressure for change. Internal and external pressures thus constitute windows of opportunity for reform or, borrowing Laffan's words, they can create critical moments which, if exploited, can be turned into critical junctures (unpublished, p. 5). Strong pressure increases the propensity for making changes to previous supranational compromises. Critical junctures could thus be argued to occur when the parties consider the political costs in case of non-reform larger than the costs associated with the reaching of a new supranational compromise.

The domestic situations in the member states are important in this aspect, by either contributing to generate (internal) pressure for change or by resisting pressure for reform, generated by other actors and events. An obvious example of the latter is the Danish reaction to the Maastricht Treaty, when a majority of Danes voted no in the first referendum because of certain changes that would follow from the new treaty – even if the impact often is not as direct as in this case. The domestic situation is an important

factor to take into account for politicians in the EU when negotiating a new supranational compromise.

In the case of CAP/Agenda 2000, the “shadow of enlargement” and the need to comply with international trade agreements clearly constituted a window of opportunity for a major reform. This was, however, offset by other factors, mainly the domestic financial and economic situations in the member states, which at the time prioritised the fulfilling of the euro convergence criteria. The watchwords in the preparations for the single currency were budgetary rigour and efficient expenditure, and in particular the main net contributors to the EU budget were campaigning for a lesser burden – an issue which was at the forefront of their domestic political agendas at the time (Galloway 1999:12). Considering that major reform of the CAP initially would be more costly than preserving the status quo, the interest in such a reform was therefore low from the outset in several member states.

According to most of the respondents, external pressure is more likely than internal pressure to lead to reform of the CAP. The most thorough reform of the CAP so far, the MacSharry reform, was negotiated under heavy external pressure. At the time of the reform negotiation in the beginning of the 90s, the whole Uruguay Round was deadlocked due to the positions of the EU and the United States on agriculture (Tangermann 1998:19-25). Under such strong external pressure, there is less scope for taking domestic considerations of some member states into account, and it can also serve as a unifying factor, increasing the internal coherence of the EU. Even if it was argued that Agenda 2000 needed to prepare the EU for the next trade round, which was scheduled to begin in December 1999, the pressure was not acute since the eventual agreement was years away at the time. Also, the parts of the Uruguay Round Agreement which required the EU to cut its subsidised exports, were transformed into an “internal” question – the EU could comply to the agreement without major changes, at the cost of lost export incomes.

Summary

Clearly, context will influence reform negotiations. From the contextual factors here analysed, we can assume that reform will be easier to negotiate with lower policy level, distributive and regulatory policy types (although this is somewhat more uncertain), with issue networks and when a strong pressure (preferably external) for reform exists.

In the case of CAP/Agenda 2000, the contextual factors came closer to the opposite, i.e. to those which can be assumed to give rise to difficult reform negotiations: a relatively high policy level, a redistributive policy type and the existence of a policy community. The internal and external pressure for reform was considerable, however, the external pressure was not considered as acute. In this regard, the case study could not be assumed to be representative for *how difficult* it is to negotiate major reform in the EU.

Main obstacles and (possible) facilitators to reform negotiations

In the previous section, the impact of contextual factors on reform negotiations was discussed, and we could conclude that they clearly make a difference in how difficult it is to negotiate reform. Here, obstacles and facilitators will refer to the underlying mechanisms – or specific characteristics – of EU reform negotiations, which we have identified as the combination and extent of supranational compromises and linkages.

In the case study, the negative effects of these mechanisms dominated. Considering the difficulties of negotiating reform in the EU in general, it seems plausible to assume that this is the case in other policy areas than the CAP (even if, as stated earlier, the CAP might not be representative of *how difficult* it is). The lack of any considerable supranational consensus culture and the impact of national interests make it difficult to reach agreement on new supranational compromises. Thus, problems arise when common decision-making is not followed by a fully developed supranational consensus

culture. The difficulties are reinforced with cemented positions and inflexible coalition patterns, as well as lack of leadership and/or mediation. When the negative consequences of supranational decision-making prevail, the result is path dependency, and the need for reform is met with piece-meal adjustments, through adding amendments to the existing negotiated order. This does not pose any major problem, as long as there is no acute or severe pressure for reform. When such pressure arises, however, the EU is often ill-adapted to make the necessary adjustments.

However, a picture is rarely neither all black nor all white. The specific negotiating environment of the EU has generated some positive consequences, which can result from stable, permanent supranational decision-making structures. Studies on day-to-day negotiations, or policy-shaping decisions, have demonstrated the existence of a supranational consensus culture in the EU, in which national interests have been merged into common, supranational interests (Elgström and Jönsson 1998). Through repeated mutual interaction in the permanent negotiation machinery of the EU, the members become socialised into accepting new codes and behavioural norms, and “new loyalties and identifications are formed” (Elgström and Jönsson 1998:5–6). The existence of such a supranational consensus culture on lower political levels and on issues of a low degree of politicisation might eventually “spill over” to higher political levels and to issues of higher politicisation. In regard to politicised reform negotiations, where a lack of supranational consensus culture is demonstrated, the reaching of new supranational compromises can be facilitated by coalitions building on cross-cutting cleavages, as well as by mediation and strong leadership.

5 Concluding reflections

This work has been concerned with reform negotiations on EU policy areas, of which Agenda 2000 was the latest attempt to reform some of the most important and costly policy areas, most notably the CAP. However, not only is the EU in need of reform of several policy areas prior to eastern enlargement, but also of its policy procedures, i.e. its institutions. In addition to the imminent enlargement, pressure for institutional reform also arises from “the general contesting of European governance and its legitimacy” (Hayes-Renshaw and Wallace 1997:292), and it has been on the agenda ever since Amsterdam, when the intergovernmental conference failed to agree upon such reforms.

EU decision-making could thus be argued to be in for two major challenges within the immediate future: first, to negotiate reform – of institutions as well as policies – prior to enlargement, and secondly, to cope successfully with enlargement once it is a fact.

CAP/Agenda 2000 clearly demonstrated the difficulties which arise when the EU has to reach new supranational compromises, at the same time as previous compromises and linkages restrict the room for such. Institutional reform is likely to meet with the same difficulties, albeit the pressure for reform in this regard probably is greater than at any time previously in the history of the EU. Previous enlargements have been able to avoid this problem by, in Friis’s words, a “muddling-through” tactic on the institutional issue, “by simply postponing the issue till after the countries have joined”. By doing so this time, however, “the EU would be in for institutional deadlock, at the same time as the present insiders would lose influence over the process” (Friis 1996:374).

What, then, after enlargement has taken place – what will it mean to future reform negotiations? Hayes-Renshaw and Wallace state that the 1973 enlargement constituted “a big disturbance” in the work of the Council, since it had to sort out “how to accommodate new, and as yet ‘unsocialised’, members within its codes of behaviour and operating conventions”

(1997:257). Still, the number of new members at the time was only three, all of whom were “West Europeans”, with much in common with the rest of the other EU members – politically, economically and culturally. With eastern enlargement the EU will have to accommodate up to twelve new members within a relatively short period of time, members which differ from the current ones to a larger extent than at any previous enlargement of the EU. Despite the institutional solutions, which hopefully will be found prior to enlargement, this will clearly pose new challenges to the building of a supranational consensus culture – and to the one that already does exist, albeit at a relatively low level.

Concepts such as “flexibility”, “differentiation”, “variable geometry” and “concentric circles” have been recurrent in discussions on how the Union should cope with the differences after enlargement. At first, such a solution seems to be a way of “getting around” the problems, which also would contribute to facilitate future reform negotiations. However, an arrangement like any of these would have to be based on several different supranational compromises, i.e. it would not diminish the complexity of EU decision-making, and reform within each of the “circles” would still have to face the existing difficulties associated with major adjustment. Clearly, no easy solution is at hand for the EU in this regard.

Endnotes

- 1 The concept of reform, as used in this work, is defined in chapter 2.
- 2 The interviews can be characterised as semi-structured, which implies that some common themes have been brought up in all the interviews, but the questions have also differed somewhat depending on the respondent’s experience of and role in these negotiations (Stenelo 1984:30). The interviews have been conducted through a conversational approach and they have been open in the sense that there has been room for the respondents to express their own observations and reflections.
- 3 Information which derives from the interviews are found in chapter 3.
- 4 The classification is based on a work by Hall (1993), but has been modified by Daugbjerg.
- 5 The 1992 MacSharry reform of the CAP, the most thorough reform in this policy area so far, is often referred to as “radical” or “fundamental” in literature on the topic. However, according to this classification, the MacSharry reform was only a second order change since it did not involve a paradigm shift.

- 6 This is not to be confused with the term *supranational* consensus culture, which refers to national interests being merged into common, supranational interests. The term consensus culture refers to the tradition of trying to make decisions in unanimity within the EU, which often implies taking each others' national interests into consideration.
- 7 The SCA is the equivalent of COREPER in the agricultural area. Its members are senior officials from Agriculture Ministries.
- 8 For more detailed accounts of the insufficiency of the reform, see e.g. CEPS Working Party Report No. 25, 1999 and Ferrer and Emerson 2000.
- 9 Green money was an artificial unit of currency, from which CAP prices were translated into national currencies. This contributed to undermine the operation of the CAP as a common market. Grant argues: "For member states, the green currency mechanism became a means of pursuing national agricultural and food policies while remaining within the common market" (1997:85).
- 10 One of them, network characteristics, has also been used by Daugbjerg (1997, 1999) in order to explain the propensities for reform in a particular policy area.

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