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TWO-LEVEL GAMES AND THE EUROPEAN COMMUNITY: UNDERSTANDING DOMESTIC-INTERNATIONAL LINKAGES

DISSERTATION

Presented in Partial Fulfillment of the Requirements for the Degree of Doctor of Philosophy in the Graduate School of The Ohio State University

By

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ABSTRACT

In this study, I examine the linkages between what have traditionally been considered to be two separate spheres of political activity, the domestic and the international. Among a growing body of work in this area, the 'two-level games' approach of Robert Putnam is the most prominent recent attempt to develop an integrated framework for understanding the connections between domestic and international politics. This approach is centered on the role played by a government leader in international negotiations, and the simultaneous domestic and international pressures which operate on such individuals. However, the validity of the approach, both in its specific claims regarding the impact of domestic politics on international negotiations, and as a putative general framework for understanding domestic-international links, has largely passed unchallenged. This deficiency in existing scholarship is tackled here by means of an investigation of the theoretical basis of the two-level games approach, and through an empirical case-study of a recent negotiations episode in the European Union.

The theoretical analysis explores both the specific model of international bargaining that has been derived from the two-level games approach, and the broader conceptualization of domestic-international linkages which the approach presents. I argue that the model of
bargaining requires significant adjustment, to allow for the alternative decision rules -
unanimity and majority - which operate in the numerous instances of multilateral
international negotiations. Through the development of an alternative model, I demonstrate
that Putnam’s argument that domestic political weakness generate greater international
bargaining strength is correct only under conditions of a unanimity rule, and that the opposite
conclusion is true in majoritarian circumstances. More generally, the two-level games
approach is shown to be severely constricted in its definition of domestic politics, and based
upon a highly state-centric understanding of the linkages between the domestic and the
international. It thus fails to offer a theoretical explanation for the role of trans- and supra-
national actors, and severely under-states the complexity of domestic-international linkages
manifested in many settings.

The importance of these theoretical arguments is further demonstrated via a detailed
case-study of the UK government during the negotiations with its European Union partners
for the 1992 Maastricht Treaty. It is shown that on key issues, including the replacement of
national currencies by a single European currency, the British government - constrained by
domestic political divisions from taking a flexible bargaining position - was out-maneuvered
in the early stages of the bargaining process by the operation of a de facto majority rule. The
highly important agenda-setting role played by a variety of trans- and supra-national actors
is also demonstrated to have been crucial to the final outcome of the treaty negotiations. The
significance of the arguments developed, and their implications for future research, is
evaluated in the concluding chapter.
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# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abstract</td>
<td>ii</td>
</tr>
<tr>
<td>Acknowledgments</td>
<td>iii</td>
</tr>
<tr>
<td>VITA</td>
<td>iv</td>
</tr>
<tr>
<td>List of Figures</td>
<td>x</td>
</tr>
<tr>
<td>Chapters:</td>
<td></td>
</tr>
<tr>
<td>1. Introduction</td>
<td>1</td>
</tr>
<tr>
<td>Domestic-International Linkages</td>
<td>4</td>
</tr>
<tr>
<td>Britain and the Maastricht Treaty</td>
<td>9</td>
</tr>
<tr>
<td>A Note on Methodology</td>
<td>14</td>
</tr>
<tr>
<td>An Outline of the Study</td>
<td>17</td>
</tr>
<tr>
<td>2. Two-level Games in Context: Understanding Domestic-International Linkages</td>
<td>23</td>
</tr>
<tr>
<td>Exploring Domestic-International Linkages</td>
<td>24</td>
</tr>
<tr>
<td>'Outside-In': International Influences on Domestic Politics</td>
<td>26</td>
</tr>
<tr>
<td>'Inside-Out': Domestic Influences on the International Sphere</td>
<td>30</td>
</tr>
<tr>
<td>Transnationalism and International Cooperation</td>
<td>34</td>
</tr>
</tbody>
</table>
The Two-Level Games Approach and International Negotiations.................37
Two-Level Games After Putnam: Subsequent Research.................................43

3. Two-Level Games: An Initial Assessment..................................................50
   Modeling Bilateral and Multilateral Negotiations........................................52
      Bilateral Models and Domestic ‘Constraints’..............................................52
      Exploring the Implications of Multilateralism - Alternative Decision
      Rules........................................................................................................55
   A Genuinely Integrative Approach?.................................................................59
   Conceptualizing the Domestic and the International Spheres......................63

4. Britain and the Maastricht Treaty.................................................................69
   EMU and the Single Currency..........................................................................73
      Pre-Bargaining...............................................................................................73
      Bargaining at the IGC..................................................................................90
      The Treaty.....................................................................................................98
   Parliamentary Powers and the Democratic Deficit.......................................99
      Pre-Bargaining.............................................................................................100
      Bargaining at the IGC.................................................................................111
      The Treaty..................................................................................................123
## LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>68</td>
</tr>
</tbody>
</table>

x
CHAPTER 1

INTRODUCTION

There is widespread recognition that the boundaries separating national and international systems are becoming increasingly ambiguous, but it is equally true that this recognition still awaits expression in conceptual and theoretical terms (Rosenau, 1966:56).

In reality, intergovernmental bargaining and intragovernmental decision making form virtually a unitary process; it is only the theories about them that heretofore have been artificially separated (Snyder and Diesing 1977:28).

For social scientists, internationalization of the world economy should sound the death-knell to the anachronistic divisions, institutionalized in universities, between 'comparative politics' and 'international relations' (Keohane and Milner 1996:257).

[In the European] Community of the 1990s, the old and easy distinction between foreign and domestic policies and politics will become less significant as the two domains become increasingly entwined and entangled (Cameron 1992:67).

This study is about the linkages between what have traditionally been regarded as two distinct spheres of politics. The domestic sphere, encompassing matters inside nation-states, and the international one, dealing with interactions between those states, have long been held to constitute essentially separate systems. Moreover, via its institutionalization in the respective fields of comparative politics and international relations, the domestic-international distinction has played a significant role in shaping the manner in which politics
has come to be studied by the scholarly community. Yet despite its long history, this dichotomization of domestic and international politics has become increasingly challenged for constituting a fundamentally inadequate or even misleading basis for understanding substantial portions of the political world.

For some, this challenge has been prompted by the perception that global economic and social trends have conspired to blur national borders. With international trade flows increasing, and with communications technology shrinking vast distances and transcending national boundaries to an ever-increasing extent, the relevance of those borders to understanding world events appears more and more questionable. While notions of 'globalization' are not especially new, in recent years they have become sufficiently common as to be almost unchallenged (Cerny 1995; Ohmae 1995; Palan 1994). Other scholars, however, have taken the position that separating the study of the domestic from the international, as if they were hermetically sealed entities neither speaking to nor influencing each other, has always been a mistaken enterprise (e.g. Halliday 1994). In this view, events in the domestic arena have been and continue to be inextricably linked to those beyond national borders. Such notions make highly problematic the implicit assumption contained within the domestic-international distinction, that the world can be divided neatly into separate and essentially autonomous national entities.

However, for the large number of scholars taking either of these positions - that the domestic-international distinction is a formerly useful notion now increasingly obsolete, or that it has always been an inadequate means for conceptualizing the political world - a common challenge emerges. Assuming that there are important linkages between the
‘domestic’ and the ‘international’ political spheres, the question then becomes one of how
students should go about conceptualizing and analyzing them. What concepts and theories
best equip scholars to understand political processes that, in one way or another, refuse to
respect the sanctity of national borders? This analysis addresses this fundamental question
in the specific context of contemporary European politics.

The European Union (EU - formerly known as the European Community, or EC\textsuperscript{1}) has
become the most highly-developed example of sustained and institutionalized international
cooperation in the world. The existence and activity of the EU is of great consequence for
the governments of the Union’s member countries, its people and their lifestyles, as well as
for the governments and peoples of many other parts of the world. Focusing on a major
episode in the recent history of European integration (the negotiations leading to the 1992
Maastricht Treaty on European Union, or TEU), and in particular on the part played in those
negotiations by a leading member state, the United Kingdom, the aim in this study is to
further understanding of the EU as a political system. Specifically, I address the hitherto
under-explored issue of how the domestic and the international realms of politics interact
within the context of European integration.

The theoretical focus for this investigation is provided by Robert Putnam’s work on
‘two-level games’ (Putnam 1984, 1988). Responding to the perceived need to understand
better the linkages between domestic and international politics, Putnam has advanced an

\textsuperscript{1}To be precise, subsequent to the ratification of the Maastricht Treaty, the EC continues to exist, subsumed
as one of the three ‘pillars’ of the EU - the others being the Common Foreign and Security Policy (CFSP) and
cooperation on Justice and Home Affairs (JHA) Matters. In practice, the term ‘EU’ has replaced ‘EC’ in
popular usage; I therefore generally refer to the EU, except when dealing with specifically pre-ratification
matters.
approach that seeks to generate a more systematic understanding of these linkages than any
developed hitherto. Evidence from the empirical examination of the TEU negotiations will
be deployed in considering the value of the two-level games approach as a general
framework for understanding domestic-international linkages. I will attempt to draw some
general conclusions about how students can best approach the study of connections between
domestic and international politics, and what contribution the two-level games approach can
make to this task.

The remainder of this introductory chapter will be devoted to four tasks. First, I
discuss briefly the issue of domestic-international linkages to establish more clearly the basic
reasoning behind this study. In the following section, the case selected for analysis will be
described in greater detail, indicating why it constitutes an important and interesting object
of analysis in its own right, as well as an appropriate case from which to draw some
conclusions of more general relevance. Following logically on from that, I will then present
a short discussion justifying the methods employed in this study. Finally, and as a prelude
to the rest of the dissertation, I will present an overview of the content and purpose of the
individual chapters comprising the dissertation.

**Domestic-International Linkages**
The establishment of domestic politics and international relations as different fields of
research within the discipline of political science has been reinforced by the dominant strands
of theorizing within the two fields, which has tended to uphold the separation. Thus, while
few would ever contend that the domestic-international distinction is absolute, comparative
politics approaches like systems theory and pluralism accord little theoretical place to the international dimension (Easton 1965; Dahl 1961). In a similar manner, the leading international relations school, neo-realism, has tended to regard domestic variables either as being of minimal consequence or of idiosyncratic and only occasional importance (Gilpin 1981; Waltz 1979, 1986; Schweller and Preiss 1997).

Though there have always been some scholars willing to challenge these prevailing theoretical orthodoxies (see chapter 2 for an extended discussion), in recent years their numbers have grown and their challenge has become significantly more pointed and more widespread. As one observer has commented, "lately no word...seems to appear more often in international relations titles than 'domestic'. The heyday of models that depict the state as a unitary rational actor, billiard ball, or black box apparently is drawing to a close" (Jacobsen 1996:93). Merely to state that a fuller understanding of domestic-international linkages is needed does not, however, indicate how that task is to be performed. Basic questions remain to be addressed, such as: who are the key actors that require to be incorporated in any theoretical framework and how do the domestic and the international spheres inter-relate?

A variety of scholars have made persuasive arguments about the influence the international environment has on domestic political circumstances, and vice-versa (e.g. Gourevitch 1978, 1996; Katzenstein 1978; Rogowski 1989). Yet there is little sense of these efforts accumulating into a broader theoretical picture. As Putnam himself comments, while it is well established that "domestic politics and international relations are often somehow entangled," it is also the case that, "our theories have not yet sorted out the puzzling tangle"
The two-level games approach is a response to this deficiency. It aims to link the arenas traditionally studied by comparative and international scholars, not merely in a series of *ad hoc* observations regarding ways in which they appear to influence each other, but in an integrated and parsimonious theory (Putnam 1988:436). If successful in this task, the approach would constitute a major advance in the study of domestic-international linkages, and have substantial implications for the research agenda of a large portion of the political science community.

The starting point for two-level games is a pair of inter-connected beliefs. The first of these is that the impact of international and domestic politics upon each other is reciprocal: international factors influence the structure and operation of domestic politics, while domestic politics simultaneously shape the manner and form in which international relations are conducted. Second, and derivatively, an integrated theory must therefore be able to speak simultaneously to both dimensions - how and why does each effect the other - rather than, as has generally been the case with previous work, pointing exclusively or predominantly to domestic influences on foreign policy, or vice-versa.

At the heart of the two-level games approach is a metaphor of the domestic and international political spheres being connected by the statesman, who is pictured as sitting simultaneously at the two 'tables’, or levels of domestic and international politics. This individual must calculate how to maximize his or her interests, aware that “moves that are rational for a player at one board...may be impolitic for that same player at the other board” (Putnam 1988:436). From this basic metaphor, and the notion of the simultaneous calculation of domestic and international interests, a model is constructed in which the
preference structure of the statesman’s domestic constituency is seen as a key variable in explaining international bargaining outcomes. At the same time, international negotiations and agreements are claimed to have great potential to influence the structure of domestic politics - for instance, when a government is able to use international obligations as a cover to impose losses on domestic interests at a lower political cost to itself than would otherwise have been the case.

Putnam’s work has been greeted by much of the scholarly community as constituting a major theoretical advance, and a considerable body of research has sought to build upon his original statement. This work includes numerous cases investigated with the aid of the two-level games framework (Evans, Jacobsen and Putnam 1993; Lehman and McCoy 1992; Schwebach and Wedeman 1997), as well as more abstract analyses of the logical implications of different assumptions about the ‘game’ being played (Mo 1994, 1995; Iida 1993; Pahre 1993; Mayer 1992). In his conclusion to a collection of many of the former analyses, Peter Evans has proclaimed two-level games to constitute an important and ‘progressive’ research program (on Lakatosian criteria 3), that should become an increasingly central basis for the integration of international relations and comparative politics scholarship (Evans 1993:426).

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2 Also of considerable interest is Milner (1997), which combines empirical case-analyses with more abstract modelling efforts.

3 This refers to the work of the scientific philosopher Imre Lakatos, and specifically his “Falsification and the Methodology of Scientific Research Programmes” (1970), in which it is argued that scientific knowledge has advanced primarily via broad ‘research programmes’, developed around a ‘hard core’ of several interrelated assumptions. Programmes would be judged ‘progressive’ when they were able to account for a wider range of empirical matters without violating or having to alter any of the hard core premises.
It ought to be clear, therefore, that what is at stake in attempting to assess the value of the two-level games approach is more than merely the appropriate interpretation of the case which will be examined here, or even simply the worth of Putnam's particular set of ideas. At issue, potentially, is the direction of much of the future research agenda of political science. In this study I aim to make a significant contribution to understanding what that agenda ought to be. My starting point is a more skeptical position about two-level games than has been evident in the bulk of the existing literature. This has been characterized by an apparent acceptance of Putnam's basic premise that domestic-international linkages can be adequately conceptualized in terms of two (otherwise essentially separate) spheres of politics, which become linked when national governments participate in international negotiations. If this premise is accepted, the task is then one of refining the approach within these parameters, and investigating specific predictions of the model generated by it - such as those relating to the value of domestic political circumstances in shaping a government's international bargaining position (see chapter 2). With only occasional exceptions (Knopf 1992), questions about the appropriateness of Putnam's core assumptions have largely been begged.

In this study, I examine the chosen case with these questions very firmly in mind. In particular, I ask whether linkages between the domestic and the international level of politics do, as the two-level games approach suggests, run primarily through national governments, or whether there are important influences connecting the domestic polity with international negotiations that this approach systematically neglects. Asking such basic questions clearly places great importance on the selection of appropriate case(s) for analysis, in order that
findings may be able to speak not only to the particular conditions of that case but also have relevance to a broader range of circumstances. I now turn, therefore, to explaining the reasoning behind the selection of the case chosen here.

**Britain and the Maastricht Treaty**

Studying the European Union asks us to think anew about political science as a discipline and how its sub-fields fit together. In no other substantive area is the relation between comparative politics and international relations so close and their existence as two independent sub-fields so problematic (Marks 1997:1)

It would be difficult for even the most casual observer of the EU not to be immediately aware of the inter-relationships between domestic and international politics that are manifest within it. Laws agreed at the European level have ‘direct effect’ in member-states, and thereby influence many diverse areas of economic and social life (Shaw 1996). To give but one example, the Community’s Common Agricultural Policy (CAP), shapes the price and availability of many basic foodstuffs in member states. Moreover, while the CAP is one of the most highly developed European policies, it is by no means entirely exceptional: it has been estimated, for example, that up to 30% of the workload of the UK’s civil service is related to European-level policies and laws. In pursuing the ‘ever closer union of the peoples of Europe’, the member states of the EU have constructed a system where linkages

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*See Lionel Barber, “UK public ignorant about EU”, *Financial Times*, August 4th 1997.*
between the domestic and the international spheres are frequent, regular and highly institutionalized. Much of this occurs through the forum of negotiations between the representatives of member-state governments, who are in virtually continuous contact with each other, as well as with members of other institutions like the European Commission and the European Parliament. Not surprisingly, therefore, "European scholars and practitioners can thus rather easily acknowledge the pertinence of Robert Putnam's vocabulary of 'two-level games' to the European arena" (Hayes-Renshaw and Wallace 1997:271; see also Bulmer 1985; Laursen 1992, 1997; Mazey and Richardson 1997; Moravcsik 1993a, 1995; Ware 1996; Woolley 1994).

The language and concepts of two-level games may sometimes usefully contribute to the understanding of European negotiations. But, in addition, I contend that a more fundamental and general theoretical contribution may be made by using the EU as a venue for analysis exploring the value of the approach. The basis for this contention is simple. If Putnam's work does form a basis for the general understanding of domestic-international linkages and for integrating knowledge from the comparative and international politics fields, then its ability to provide this should be especially evident in the EU. This is because the Union provides a context where the processes which the approach seeks to understand are developed to a particularly high degree (Milner 1997:9). Indeed, one might go further. The EU represents not only the operation of particularly intensive domestic-international linkages; as a highly-developed instance of institutionalized cooperation between states, it is of more general relevance for being in the vanguard of the growth in regional economic
organizations and other international institutions that is a major factor behind the increasingly blurred nature of national borders (Moravcsik 1995:26).

Thus, the issue which must be addressed is whether, under such circumstances national governments are indeed the key connection between the two spheres. Or does the very process of institutionalization of linkages create an alternative political dynamic, empowering different actors and generating distinct political processes from those identified by Putnam? For example, are EU-level political actors created which are able to impinge upon state dominance in the international sphere? And do transnational political actors and processes develop in ways that increasingly blur the domestic-international distinction? In short, while domestic and international politics clearly interact in many contexts, we need to ask whether the two-level games approach offers an appropriate way to understand the political processes that develop under circumstances of particularly intense and highly institutionalized domestic-international linkages. Or are its basic premises perhaps limited to other types of contexts - perhaps ones where cooperation is less highly institutionalized, or domestic-international linkages are not so well-developed? By locating the analysis where the intensity of linkages and degree of institutionalization are maximized, a study of negotiations in the EU can thus play the role of evaluating a general theory (or, in this instance, an approach that seeks ultimately to build such a theory) that scholars have long recognized can be fulfilled by the ‘crucial case-study’ (Eckstein 1975).

Within the general context of the EU, this study will focus on the UK government and the Maastricht treaty negotiations. In addition to the fact that the UK is a major member-state in the Community, there are other reasons for selecting this particular focus. This
choice allows a specific empirical puzzle to be investigated. The puzzle is that prevailing 'inter-governmental' theories of negotiation within the Union (Moravcsik 1991, 1993a), which argue that bargaining tends towards 'lowest common denominator' outcomes, predict a similar outcome to the TEU negotiations to the forecast generated by Putnam's bargaining model. The latter, which gives considerable weight to the role of domestic political 'constraints' on negotiators, suggests that parties subject to especially strong pressures should possess the greatest degree of negotiating leverage. The UK government faced such domestic constraints during the process that led to Maastricht; moreover, these pressures, mostly coming from within the ranks of the governing Conservative party, should have acted to reinforce the pre-existing British desire to secure 'minimalist' outcomes (desiring little or no advance on the status quo position) on most of the major issues at stake.

The curiosity, however, is that - as will be seen in chapters 4 and 5 - such outcomes did not, for the most part, prevail. Whilst variations across different policy areas certainly occurred, the treaty as a whole marked a significant advance in the integration of (a substantial portion of) Europe, insofar as it contained commitments by the EU member-countries to advance cooperation in areas as diverse as foreign and security policy, monetary policy and citizenship rights, and to revise the powers of the Community's governing institutions. McKay, for one, while possibly overstating the case marginally, suggests:

The Treaty on European Union was just that - an effort to create a new, federal state, involving the removal of the most fundamental of the nation state's domestic functions - macroeconomic policy - and its transfer to the supranational or federal level. There is, simply, no precedent for this in the history of international institutions (McKay 1996:72).
This outcome must be regarded as a significant puzzle. The UK had the ability, as did every member-state, to veto the final agreement, as it required the unanimous approval of all nations. Moreover, as one of the largest and most important countries in the Community, the UK should have possessed whatever diplomatic weight was needed to reinforce this legal prerogative. And domestic political pressures, the key variable for the two-level games model, also pointed in the direction of Britain securing a minimalist outcome. One of the major empirical tasks of this dissertation will be, therefore, to try to understand why a treaty embodying rather different preferences was actually signed.

At a more practical level, the dynamics behind the Maastricht process can more readily be investigated than in most negotiations episodes, because it has been particularly well-documented. Thus, while many of the issues at stake were complex, it is possible to establish fairly clearly the evolving positions of the major actors and the outcomes that obtained. There are a number of reasons for this (discussed in chapter 4); one of the most pertinent, however, and another reason to make a study of this episode of value, is that the treaty was a major event in recent European politics. Numerous EC scholars have analyzed and sought to explain different aspects of the treaty and the negotiations that led to its agreement (Artis 1992; Baun 1996; Cameron 1995; Sandholtz 1993). None of these studies, however, has yet attempted to understand in a systematic manner how links between international and domestic politics might have shaped the bargaining process that led to the final agreement.

The TEU was a multi-faceted agreement, some 250 pages in length and covering many issues. Rather than attempt to address all of them, I will focus attention upon two of
the more important aspects of the treaty. These are, respectively, the agreement to form an Economic and Monetary Union (EMU) including a single European currency, and the increase in the powers of the European Parliament provided by the new ‘co-decision’ legislative procedure and other measures. Concentration on these two areas allows for a more intensive focus on the negotiating processes surrounding them. But while both issues were important elements of the final treaty, they also provide significant contrasts. EMU was much the more fundamental and publicly controversial issue, concerning as it did the transfer to the European level of many of the symbols, and much of the practice, of national economic policy. The reforms to the Parliament’s powers, while still important (to the Parliament in particular), raised fewer fundamental questions of national autonomy and less political discord within the EC’s member states - especially in Britain. Analyzing these two different types of issue within the same set of negotiations thus enables domestic-international linkages to be explored across rather dissimilar policy domains, and with somewhat different domestic political dynamics, while holding constant the set of national government actors and the external context, as well as the basic position of the UK, which adopted a position that was consistently minimalist on both issues.

A Note on Methodology

Even if the selection of the case, and the reasoning behind it outlined above, is accepted as well-justified, the case-study approach can still be subjected to several criticisms. The purpose of this section is to address some of the more serious of these before embarking on the main portion of the study.
The first set of criticisms can be leveled at virtually all those who employ a case-based strategy of investigation. Case-studies do, it is almost universally conceded, present a researcher with the opportunity to investigate a particular episode in great detail and with much sensitivity (Davidson and Costello 1969; Eckstein 1975; King, Keohane and Verba 1994:44-45). The potential advantages, in terms of richness of information and understanding, are considerable. However, some analysts nonetheless object to attempts to generate broader inferences from case-studies. These critiques are usually presented in one of two forms: either that it is impossible to make causal statements from a single case because of an inevitable 'degrees of freedom' problem, or that inferences pertinent to the specific circumstances of the individual case are unlikely to generalize to other instances.

A number of general counter-arguments have been made in response to these criticisms of case-based analyses. For the purposes of this study, however, the following points are of particular relevance. First, it is surely quite appropriate in an area like the study of domestic-international linkages, where basic matters such as the identity of key actors and the nature of their involvement in the policy process are at issue, to employ a method of analysis that gives priority to understanding in some depth those processes as they are manifested in particular cases. The analytical task may subsequently become one of

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*The 'degrees of freedom' problem refers to the situation where the number of potential causal variables under investigation is equal to or greater than the number of observations across which their impact is being measured. For an explanation of the logic behind this issue, and potential means around it, see King et al (1994).

*This issue is discussed at length (although the inevitability of the 'problem' is ultimately subjected to a strong challenge) by Verba (1967)
attempting to estimate more precisely the impact of particular types of actors across a large number of cases. For the moment, however, such an approach seems inappropriate.\(^7\)

Second, case-studies do not have to exist in complete isolation from each other. Their findings can be compared and a number of cases aggregated into a large body of evidence. This is the approach of Evans et al (1993). While adopting a case-based approach to their empirical investigations, the different contributors attempt to frame their analyses around a common series of questions, allowing the conclusion of the volume to move to some preliminary generalizations on the basis of comparing the various results.\(^8\) Furthermore, even when, as is the case here, a study is not part of such an explicitly comparative exercise, the results drawn from one piece of work can be compared with those from similar efforts. This, indeed, will be the strategy employed in chapter 6: the particular contribution of this study to the wider body of work on domestic-international linkages will be to broaden its empirical scope by focusing on a context where such linkages are more intense and more institutionalized than in previously examined cases. Third, while this study does represent an analysis of a single historical episode - the negotiations leading to the Maastricht treaty - this does not mean that there is only a single 'outcome' to be analyzed. Rather, across both the issue areas I focus on, a number of identifiable outcomes occur at different stages of the process which led to the final treaty agreement. Thus, in the language of King et al (1994), a number of 'observations' can be generated within the one case.

\(^7\)This, indeed, is a similar argument to that advanced by the authors of the *Double-Edged Diplomacy* collection (Moravcsik 1993b:23-24).

\(^8\)The book is thus a commendable example of the strategy recommended by George (1979), namely the 'structured, focused, comparison' of cases.
This latter point is also pertinent to dealing with another potential objection: that this study is guilty of 'selecting cases on the dependent variable' i.e., choosing only those which have a particular outcome. While it is true that the final TEU outcome on both issues examined represented an advance in integration further than that desired by the UK, the interim outcomes which formed the process by which these final treaty was reached followed sharply divergent paths for the two areas. Thus, this objection can quickly be dismissed as incorrect. So, finally, can one which might be raised regarding the nature of this examination of negotiations. It might be suggested that examining the success of the UK is an erroneous way of investigating negotiations: that one cannot legitimately examine the British negotiating position and its domestic political circumstances in isolation from that of the other 11 member states of the Community. This is, of course, true, but such an objection would be to misunderstand the basis of this study. While the greatest concentration here will be on the UK - the motives of its negotiators, its domestic political circumstances, and the relation between the outcomes obtained and those desired by the UK - this examination will be placed firmly in the context of its interactions with the other parties to the negotiations. Examining the outcomes in relation to the UK, which had a clear objective - preventing or limiting moves towards closer European integration - does, however, allow for the interpretation of these outcomes to be simplified. As far as Britain is concerned, the outcomes of the treaty negotiations can be essentially understood in terms of a single dimension of more or less integration. For other countries, alternative dimensions would have to be invoked. Thus, focusing on the UK allows for the interpretation of the results to be simplified; but this does not mean neglecting the role played by the other parties involved.
An Outline of the Study

The issues discussed above are to be tackled across the following several chapters. In Chapter 2, I review in greater detail previous literature on the connections between domestic and international politics, in order to locate this study in relation to the broader scholarly agenda and its potential contribution to that agenda. To do so requires that I draw on a diverse range of writings, including much work on domestic-international linkages prior to that of Putnam, as well as that which has followed on from the original two-level games statement and sought to rise to the challenge of producing the “[far-reaching empirical research [which] is needed now to test and deepen our understanding of how [two-level] games are played” (Putnam 1988:460).

As indicated earlier, this latter body of work has generally taken a highly positive attitude regarding the prospects of the two-level games approach forming the basis for further understanding of domestic-international linkages. In Chapter 3 I subject this work to a more skeptical evaluation. I suggest that while genuine advances have been made in the short time since the publication of Putnam's original statement, serious deficiencies in the current two-level games canon render it far from adequate as a basis for the sort of parsimonious theory aspired to. Several significant problems are identified. Most fundamentally, I argue that Putnam's conceptualization of domestic-international linkages is highly state-centric and - contrary to his original intention - fails to offer the sort of genuinely integrative approach claimed for it. Rather, what two-level games offers is basically a model of international negotiations; moreover, while domestic political
circumstances are incorporated into this model, other potential forces, such as the impact of supra- and trans-national actors, are neglected. In addition, I suggest that even within the constraints of a state-centric model of international negotiations, the representation of the bargaining process incorporated by Putnam and most subsequent analyses is inadequate. Specifically, this work (despite the origins of the two-level games approach in research into G-7 summits) has developed only bilateral models of bargaining, which may generate quite different results from more realistic multilateral models. As I show, it is possible to construct simple multilateral models based on plausible alternative decisions rules (unanimity versus majority) under which some of Putnam's original predictions regarding the impact of domestic political circumstances on international bargaining outcomes are actually reversed.

The relevance of these theoretical arguments to the outcomes of the Maastricht negotiations is then explored in chapters 4 and 5. In the former, I conduct a detailed 'process tracing' of how the treaty talks addressed the major issues facing it, focusing my attention on EMU and the reforms to the powers of the EP mentioned earlier. Drawing on a variety of accounts of the negotiations, as well as much official documentation and other sources, I show that the issues which came to the bargaining table often had a long genesis. It was during this pre-negotiation, or agenda-setting phase, that the substantial impact of trans- and supra-national forces can be seen most clearly. I then focus on how the issues were addressed during the year-long Inter-Governmental Conference (IGC) that led to the final agreement of the TEU. At the same time, I take into account the situation which faced the British government in these talks, including a historical legacy of long-running British
ambivalence towards the idea of European integration, and the more immediate domestic political pressures faced by a Conservative government needing to reconcile opposite wings of a party (and in particular, a Parliamentary party) that was deeply divided on how close Britain's relations with its EC partners should be. I show how these domestic political divisions constrained the bargaining positions which the UK government was able to adopt during the IGC, and consider to what degree the outcomes of the negotiations matched British preferences and priorities.

In chapter 5 I evaluate how, and to what degree, the two-level games approach enables the outcomes at Maastricht to be understood. Varying de facto decision rules at different stages of the negotiation process are argued to have been an important facilitative factor shaping the degree of success experienced by the UK. Thus it is argued that any two-level model of multilateral bargaining must allow for the potential impact of alternative decision rules. Moreover, their impact may well need to be understood in relation to the temporal dimension of negotiations: that agenda-setting practices early on in negotiations processes can be crucial in shaping any final agreement reached. the UK’s veto power in the final stages of the talks thereby availed them less than an atemporal model (such as those previously developed in connection with the two-level games approach) would suggest, because by the time that the opportunity to wield the veto had arrived, the agenda for the talks had been set in a manner distinctly uncongenial to the British government, confronting it with a highly unattractive set of options. In addition, and more fundamentally problematic for the two-level games approach are other aspects of the negotiations process. Existing work on two-level games has claimed that national governments will generally be able to
control the agenda for negotiations (Evans 1993:403). The Maastricht treaty, however, might well never have occurred, and certainly not in the form that it did, without the very significant agenda-setting work of supra-national political institutions like the European Commission and the European Parliament, as well as of many trans-national interest groups. It is almost inconceivable, for example, that the agreement reached on monetary union would have taken the form it did without the substantial agenda-setting role played by the European Commission, and in particular its President, Jacques Delors. Yet such sources of influence are systematically neglected by the two-level games approach.

In the light of these findings, in the concluding chapter I seek to draw together the implications of this study for the study of domestic-international linkages, as well as for our understanding of the European Union. This is done in three sections. In the first, I present my major conclusions regarding the two-level games approach. The theoretical arguments and empirical evidence presented are argued to demonstrate two principal points: that the approach suffers from serious limitations even when taken on its terms as a model of international negotiations; but further, and more fundamentally, that it is markedly inadequate as a framework for developing a thorough understanding of domestic-international linkages. This is followed in the subsequent section by a discussion of the implications of the study for the European Union. I argue that the findings presented here indicate strongly that analyses of the European Union based on a strict domestic-international dichotomy, and which envisage intergovernmental bargaining as the predominant political mode of operation, need to be revised considerably. This argument is all the stronger for being based upon findings from a study based around an Intergovernmental Conference,
where the dominance of national governments should be expected to be at its strongest. Increasingly, the EU does constitute a system of ‘multi-level governance’ (Marks et al 1996); the task for analysts now is to move beyond this descriptive observation towards a fuller theoretical understanding of its implications for the EU as an evolving political system.

Finally, and most importantly, I consider how study of domestic-international linkages may most appropriately proceed, and sketch out some of the future research agenda that awaits to be addressed. Rather than calling for the substitution of a single alternative framework in place of the two-level games approach, the challenge is argued to be one of recognizing the inherent complexity which this area of study presents, and developing more nuanced insights based upon an acknowledgment of the subtlety of these phenomena. Such insights, I contend, must include both an awareness of the circumstances where a state-centric approach (such as that provided by two-level games scholars) to domestic-international linkages is more or less inappropriate, and also a recognition of the increasing ‘domestication’ of important elements of what has traditionally been considered the ‘international’ arena of politics.
CHAPTER 2

TWO-LEVEL GAMES IN CONTEXT: UNDERSTANDING DOMESTIC-INTERNATIONAL INTERACTIONS

The most portentous development in the fields of comparative politics and international relations in recent years is the dawning recognition among practitioners in each field of the need to take into account entanglements between the two. Empirical illustrations of reciprocal influence between domestic and international affairs abound. What we need now are concepts and theories that will help us organize and extend our empirical observations (Putnam 1988:459).

The aim of this chapter is to establish more clearly the potential contribution of this particular study, by placing it within the context of other work that has sought, in some form or another, to address the issue of domestic-international linkages. A considerable and diverse body of previous literature will be outlined and reviewed. The chapter is divided into three main sections: in the first, I conduct a brief overview of scholarship prior to Putnam which attempted to conceptualize and theorize aspects of the links between international and domestic politics. An understanding of this voluminous body of work provides the background against which the specific contribution of the two-level games approach can be appreciated. The second section lays out the basics of Putnam's original exposition, including the model of international bargaining he presents. As part of this section, I also explain how this model borrows from previous work in the negotiations literature. Finally,
I examine how work subsequent to Putnam's initial statement has developed the two-level games approach. Here I consider both formal analyses dedicated to extending the original bargaining model, and those empirical case-studies that have sought to examine the utility of the approach in understanding specific events and issues.

Exploring Domestic-International Linkages

While the dominant theoretical schools in comparative politics and international relations have tended to uphold the domestic-international distinction, the scholarly literature attempting, in one way or another, to address the issue of connections between domestic and international politics is, nonetheless, truly vast. Attempts to trace it back to its source could doubtless return at least to ancient Greece and Thucydides. Less ambitiously, recent reviews have still found it necessary to go back as far as the end of the previous century, to the work of historians like John Seeley (1834-1895) and Otto Hintze (1861-1940) (see Almond 1989:265-272; Jacobsen 1996:95-96). Both men were concerned with the widespread tendency to examine societies as if they were devoid of external influences. Hintze, for example, noted how common it was, "to wrench each single state from the context in which it was formed; the state is seen in isolation, exclusive in itself, without raising the question whether its peculiar character is co-determined by its relation with its surroundings" (Hintze
However, he was also inclined to consider the question somewhat from the opposite angle:

The impact of the outside world must pass through an intellectual medium; and the only question is how strong is its refraction... we can - indeed, must - stress that in the life of peoples external events and conditions exercise a decisive influence upon the internal constitution. History does not permit progressive spiritual development, following its own laws, as was supposed by Hegel; there is rather a constant collaboration of the inner and outer world (Hintze 1975:162).

This line of research yielded the ‘Seeley-Hintze Law’ - Seeley's conjecture, for which Hintze found some empirical support, that the ‘degree of government’, (and thereby, it was suggested, inversely the ‘degree of liberty’), was a function of the ‘degree of pressure’ which a state faced externally from other powerful states. While there were clearly exceptions, Hintze held to the general notion that “the spirit and essence of internal politics is dependent on the external conditions of a state” (Hintze 1964:202). Pursuing a similar field of investigation, Eckart Kehr, a fellow historian and contemporary of Hintze, anticipated many of the concerns that have more recently found more systematic reflection in the two-level games approach:

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1Similarly, Seeley cautioned his students to “[n]ever be content with looking at states purely from within; always remember that they have another aspect which is wholly different, their relation to foreign states... We have an inveterate habit of regarding our own history as self-contained, and of assuming that whatever has happened in England can be explained by English causes. So much so, that I think the English history still remains to be written which shall do anything like justice to foreign or continental influences which have contributed to determine the course of English affairs.” (Seeley 1886:133, cited in Almond 1989:265-266)

2In particular, Hintze argued that the advantageous geo-strategic position of the United Kingdom and the United States, being somewhat detached from the maelstrom of continental European politics, had enabled both to avoid developing "the centralized great power, the military and official state... The soul of this new state structure is the will to power, the backbone is the large standing army" (Hintze 1975:429).
An assessment of German foreign policy is inadequate not only when it fails to take account of English policy. A foreign policy has - this may sound trivial but it is often overlooked - not only an antagonist in front of it but a homeland behind it. A foreign policy is contending with the adversary and also fighting for its own country; it is guided by its opponents' moves, but also - and even to a larger extent - by the will and needs of the homeland, whose concerns are primarily domestic (Kehr 1977:23).

Thus, it can clearly be seen that the concerns addressed in this study are of long standing, though they have assumed greater prominence of late. More recent work, vast in scale and diverse in character, can usefully be divided into three broad strands. The first, located mainly (though not exclusively) within the comparative politics tradition, has taken what might be termed an 'outside-in' focus on the impact that international events have on domestic politics? The second strand is its converse, an 'inside-out' approach, addressing the question of how domestic factors shape a country's international behavior. The third, flowering most recently, has explored how the domestic-international distinction may be blurred - by transnational forces linking the two spheres, and through international cooperation that replicates features of domestic politics at the international level.

'Outside-in': International Influences on Domestic Politics: There is, as one review has made clear, "a minor tradition from Otto Hintze to Charles Tilly, Peter Gourevitch and Peter Katzenstein that stresses the impact of international factors on internal political structure and

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1 It is little surprise, therefore, that this body of work has been conducted in the main by scholars based in the international relations field.
process” (Almond 1989:264). Scholars following this line of research have predominately focused on two sources of influence - military-strategic factors, where the emphasis is on how external threats to the security of a country shape its internal development; and economic factors such as trade patterns and the impact of external ‘shocks’ (like the 1970s oil price rises).

Examples of the first type include the historical case-study work by Charles Tilly and colleagues in the 1960s and 70s, which, echoing in large part the Seeley-Hintze hypothesis, strongly suggested that military necessity was a major driving factor behind the development within a given territory of a standing army and, furthermore, that armed forces in turn often played a powerful role in the development of the state and its various political institutions (eg. Tilly 1975). Studies employing different methodologies have produced essentially similar results - for example, a more quantitative study focusing on Britain, France, Japan and the United States, concluded that war “must be considered one of the more important sources of the growth and expansion of the modern state” (Rasler and Thompson 1985:504). In a similar vein, Almond et al (1973), examining various domestic political crises in the last two centuries (including the Japanese Meiji restoration, and political reform in 19th century Britain), found that foreign pressures, and in particular military-security pressures, commonly

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*Some of the more recent manifestations of this work in fact had built upon Almond's own prompting to move the study of political systems away from a 'biological model', where scholars, (as he saw it) “classify species of political structure, and attribute to them a degree of stability and a relationship to environment comparable to that of biological organisms”. By contrast, Almond argued, “political systems and societies are not organisms in relatively stable relationship to their environments. The exchanges between political systems and their environments may be massive, for the boundaries between them are highly porous” (Almond 1971:284-85).
were crucial determinants of the patterns of states’ political development. Elsewhere, Arendt Lijphart's ground-breaking work on consociationalism also suggests that external pressures can be among the important factors behind the development of such consensual political arrangements (Lijphart 1968, 1981). Numerous other studies have also traced the impact of the outcomes of war, and in particular military conquest, on the development of states - such as Germany and Japan after World War II (eg. Merkl 1965).

Among scholars taking a more economic focus can be counted individuals employing a variety of theoretical approaches. The ‘dependencia’ school of writers, prominent in the 1970s and early 1980s, attacked earlier work on political and economic development for its failure to take into account the external situation facing many poor countries. In particular, this school sought to point out how the development of many third world states was constrained by their position in the global political economy (eg. Cardoso 1979). Almond comments that, “this position is no longer seriously advanced, but in the net the dependency experience is credited with the large heuristic contribution of having turned development studies around by bringing the international dimension into the development picture” (Almond 1989:263). Alternative lines of inquiry, while often deploying very different theoretical assumptions, have also pointed to the domestic impact of the international economy. More mainstream work on economic development has addressed how the international position of countries (in terms of factors like the state of world markets for different products, or the availability of external financial assistance) can shape the policies needed for an economy to develop successfully; thus, successful development has been found to be compatible with variable degrees and direction of government involvement in the
Peter Gourevitch, Peter Katzenstein and others in the 'second-image reversed' school have examined such issues as how world economic crises are dealt with by countries, and their effects on the domestic politics of a country (e.g., Gourevitch 1978, 1986, 1996; Katzenstein 1985). And Rogowski (1987, 1989) has taken an innovative angle on the international economics-domestic politics connection by positing a theory for the formation and maintenance of domestic political cleavages based predominately on international economic circumstances. Rogowski borrows from trade theory in suggesting that a country's relative endowments in the different factors of economic production - land, labor and capital - lead to alternative types of socio-economic cleavages, which then find political manifestation.

This general line of work shows no sign of abating. To the contrary, with economic globalization and regionalization seeming to continue apace, the impact of international factors - and in particular international economic factors - on domestic politics has become all the more difficult to ignore. A major recent edited book, for example, states at the outset that, "The central proposition of this volume is that we can no longer understand politics within countries - what we still conventionally call 'domestic' politics - without comprehending the nature of the linkages between national economies and the world economy, and changes in such linkages" (Keohane and Milner 1996:3; see also Frieden and Rogowski 1994).

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5 The two main types he identifies are urban-rural and class-based cleavages.

6 Considerable evidence is indeed found, throughout the book, that internationalization has increased in terms of indicators like trade and capital flows, and the convergence of like short-term interest rates, (although it is also acknowledged that domestic political institutions can in their turn alter and even block many of the effects (continued...))
'Inside-Out': Domestic Influence on the International Sphere: The degree to which international relations scholars should take account of domestic political factors in explaining states' behavior has long been a matter of considerable contention. 'Liberal' theorists have, for the most part, been willing to see behavior - such as a country's propensity to go to war or not - as being at least partially explicable by domestic political circumstances. The various forms of 'realist' theory, usually seen as the more dominant school (at least within American political science - see Halliday 1994) have been more reluctant to accept such arguments. The fundamental contention of the 'classical' realism of Hans Morgenthau was that the character of international relations required states to act to maximize their power, or face elimination by other, more power-hungry competitors (Morgenthau and Thompson 1985). This imperative, it was suggested, would largely compel states' behavior no matter what their internal preferences might be. The realist perspective has subsequently been elaborated and extended in the form of 'neo-realism', which, in the words of its leading exponent, argues:

When and how internal forces find external expression, if they do, cannot be explained in terms of the interacting parties if the situation in which they act and interact constrains them from some actions, disposes them towards others, and affects the outcomes of their interactions (Waltz 1979:52-53).

For the neo-realist, theoretical primacy is granted to the rules governing the international system; it is "[t]he enduring anarchic character of international politics [that] accounts for the striking sameness in the quality of international life throughout the millennia" (Waltz...continued)
The various approaches advocating the relevance of domestic politics to international politics have therefore all been in conflict with this prevailing theoretical orthodoxy to a greater or lesser degree.

At the root of much of this work is a direct attack on the theoretical basis of neorealism. Robert Keohane, for example, has observed that many realist theorists admit that a country's 'national interest' cannot be derived purely from the external positions of it and other states, and that "since systemic theory cannot predict state interests, it cannot support deterministic conclusions" (Keohane 1983:183). Theorists are thus inevitably led to make at least some assumptions regarding domestic political conditions - the choice, for Keohane, is between doing this in an ad hoc manner, or trying to build "better theories of domestic politics" and their impact on foreign policy and the external environment (Keohane 1983:191; see also Sprout and Sprout 1971:73-77; Halliday 1994).

In fact, such work has formed a growing part of the international relations research agenda. Much has explicitly followed the lead of James Rosenau, pioneer of the comparative study of foreign policy, in seeking to address the domestic political factors which influence international behavior. This endeavor has tried to move beyond simply identifying various sources of domestic influence on foreign policy, the abundance of "largely historical and single-country oriented" work (Rosenau 1966:35), or the construction of various 'frameworks' for analysis, towards more systematic statements. Rosenau's own 'pre-theory', indicated five key factors (the idiosyncracies of decision-makers; the role demands of the position occupied by the key decision-maker; the structure of a country's government;
societal pressures in varying forms; and systemic factors) as sources of foreign policy: all but the last of these was essentially domestic.

A considerable literature has followed Rosenau's prompting, seeking to explore the impact of domestic factors on foreign policymaking in a variety of empirical contexts, and to refine theoretical understandings of such influences (see Hagan 1987; Kelgey and Wittkopf 1988; Maoz 1996 for reviews of this literature). Not surprisingly, a major theme to emerge from this work is the complexity of domestic influences on international politics. While the 'common conclusion' may be "that nations with different domestic political arrangements respond to the constraints of international systemic arrangements with different foreign policy strategies" (Hagan:1995:120), few easy generalizations can be made. Thus, while it seems clear that "domestic politics is a widespread and nonaberrant influence on foreign policy" (Hagan 1995:126) it is difficult to point directly to the likely foreign policy consequences of particular domestic circumstances. Theoretical refinements have, rather, taken the form of indicating more precisely the types of domestic factors which influence states' behavior, and alternative approaches to investigating their impact. Hagan (1995), to give but one example, points to three such approaches, focusing respectively on the nature of domestic opposition forces facing policymakers, the overall structure of the political system (eg. 'majoritarian' versus consensusual), and the specific context for a particular decision (including factors like the nature of the unit making the decision).

Other contributions have sought to apply these general notions to more specific models explaining particular foreign policy actions: for instance, Stewart, Hermann and Hermann's analysis of the decision in 1973 by the leadership of the USSR to support the
Egyptian President, Anwar Sadat, in his efforts to arm Egypt sufficiently to enable a serious military attack on Israel (1989). The model they construct argues that three factors lay behind the Soviet decision: the preferences of the members of the decision-making unit (the Politburo), the power structure within that unit, and the effective rules for resolving disagreements between Politburo members.

Taking the opposite route, and focusing at the most general level of analysis, a variety of scholars have addressed the 'democratic peace' - the empirical finding that no documented instances exist of two established democracies fighting a war against each other. This finding has been clarified: it now appears that while democracies do not fight each other, they are, nonetheless, no less likely to be involved in conflicts than other types of political systems (Maoz and Russett 1993). Attempts to explain these findings, however, have generally tried to move beyond simple statements about democracy as a type of domestic political system and to understand the internal political dynamics operating within such systems. For example, Hermann and Kegley argue that political systems generate a self-definition, and this self-definition may be a crucial psychological factor influencing the images that countries have of each other. Democracies, they suggest, are most likely to see each other as similar in nature, and therefore as less threatening (Hermann and Kegley 1993; see also Doyle 1986; Lake 1992; Russett 1993).

Finally, within the literature on European integration, the ‘domestic politics approach’ of Simon Bulmer, and Andrew Moravcsik’s ‘Liberal Intergovernmentalism’, have most directly spoken to the impact of domestic factors on states’ behavior (Bulmer 1983; 1986; Moravcsik 1993a). Bulmer contends that “national governments...act as clearing
houses for domestic pressures" (Bulmer 1986:26). National governments are seen as the key actors in the European policy process, bargaining with each other in the Council of Ministers and the European Council. Their bargaining positions, however, are shaped by the interplay of domestic political forces - without an understanding of which the notion of a 'national interest' remains essentially meaningless. For Bulmer,

Too much literature has concentrated on the upper tier - the formal institutional framework of the Communities - without examining the domestic sources of national negotiating positions... [N]ational governments are strong veto groups in EC policy-making. However, an investigation below the surface suggests that national governments are in many cases prisoners of domestic and international circumstances" (Bulmer 1983:353-360; see also Ladrech 1994).

In a similar manner, Moravcsik’s model argues that national interests are defined domestically (although the manner in which they are defined may in turn be influenced by the international context), and are then subject to inter-governmental bargaining at the European level.

Transnationalism and International Cooperation: A third body of work has considered two other forms of domestic-international linkage: transnational links, that effectively by-pass the borders of the state, and institutionalized international cooperation in which elements of domestic political processes are reconstructed at a level beyond the state. In a context like the EU, these two processes can often operate simultaneously.

Transnationalism is defined, in a major recent treatment of the subject, as "regular interactions across national boundaries when at least one actor is a non-state agent or does
not operate on behalf of a national government or an intergovernmental organization" (Risse-Kappen 1995a:3). The challenge posed by transnationalism's blurring of boundaries to students of politics was identified previously by Wolfram Hanreider: how to study a "contemporary international system [in which it is] increasingly difficult, or meaningless, to distinguish between foreign policy and domestic policy" (Hanreider 1967:973; see also Herz 1959). Rosenau was another to observe the conceptual problems generated by, "the tendency of researchers to maintain a rigid distinction between national and international political systems in the face of mounting evidence that the distinction is breaking down", going on to suggest that, "a new kind of political system, the penetrated system, is needed to comprehend the fusion of national and international systems" (Rosenau 1966:53; see also Nye and Keohane 1970; Hout 1996).

A central argument of much of this work is that increased transnational links between countries in recent decades have heightened the 'mutual sensitivity' of societies, suggesting a blurring of the distinction between the international and the domestic, in favor of a more continuous interplay of forces across national borders (Palan and Gills 1994). Work like that of Risse-Kappen (examining the role of transnational groups in shaping the ideas that helped bring the Cold War to an end) indicates that transnational actors can be of considerable importance (Risse-Kappen 1995b). Furthermore, as Risse-Kappen argues:

There is no logical connection between the argument that states remain dominant actors in international politics and the conclusion that societal actors and transnational relations should, therefore, be irrelevant. One can subscribe to the proposition that national governments are extremely significant in international relations and still claim that transnational relations
crucially affect state interests, policies, and inter-state relations (Risse-Kappen 1995a:15).

A somewhat distinct literature has examined the institutionalization of international cooperation between countries, via concepts like that of 'international regimes' - "sets of governing arrangements that affect relationships of interdependence" (Keohane and Nye 1977:19; see also Rittberger 1993). The regimes literature is of particular pertinence here because, albeit in a rather different way to that on transnationalism, it also suggests a breaking down of the sharp distinction between the domestic and the international. Within the most advanced examples of institutionalized international cooperation, elements normally seen as inherent to domestic politics - such as the rule of law, and the 'authoritative allocation of values' - are replicated to some degree outside the boundaries of the nation-state. This challenges head-on the stark dichotomy often painted by realists between domestic and international politics, with the former being posited as the scene of order, stability and law, and the latter as one of anarchy (Ruggie 1983; see also Hurrell 1993:51; Mayer et al 1993; Young 1989).

Synthesizing these two strands of thought has been theoretical work developing models of 'complex interdependence', in which the institutionalization of cooperation is seen as both significant in its own right and as an important stimulus to the further development of transnational linkages. In such circumstances, the utility of the domestic-international distinction can be regarded as particularly questionable:

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7It should be noted that the EC has been argued to constitute the most advanced and elaborate development of the regime conception (Keohane and Nye, 1993).
By reducing the coherence of national positions, this complexity of actors and issues strongly affects the commitment to and credibility of threatened retaliation... Many of the most serious policy problems of complex interdependence result directly from this blurring of the distinction between domestic and international politics (Keohane and Nye 1977:226; see also Keohane and Nye 1989).

It is clear from the above review that the concerns addressed by the two-level games approach are far from new. More innovative is Putnam’s attempt to move further than ever before beyond notions of one sphere of politics influencing the other, and towards some form of ‘comprehensive explanatory framework’ able to account for both simultaneously, while still maintaining the essential distinction between the two (Jacobsen 1996). It is now time to lay out in greater detail how the two-level games approach attempts to accomplish that task.

The Two-Level Games Approach and International Negotiations

The core of the two-level games approach is the metaphor of a negotiator bargaining at two tables simultaneously. In the original rendition, the negotiator is the leader of a country, who must bargain both with a domestic political constituency and with international counterparts (who in turn have constituencies and a domestic table of their own). By itself, the metaphor is neither particularly original nor especially striking, being little different from the ideas developed by other political scientists examining actors facing contrary pressures (Tsebelis

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8 However, as Putnam acknowledges, "The negotiators might be heads of government representing nations, for example, or labor and management representatives, or party leaders in a multi-party coalition, or a finance minister negotiating with an IMF team, or leaders of a House-Senate conference committee, or ethnic group leaders in a consociational democracy" (Putnam 1988:438).
What is more interesting is Putnam's application of the metaphor, and specifically his contention that it can be used to help construct 'general equilibrium theories' about the linkages between domestic and international politics. The challenge, he states, is:

to move beyond the mere observation that domestic factors influence international affairs, and vice-versa, and beyond simple catalogs of instances of such influence, to seek theories that integrate both spheres, accounting for the areas of entanglement between them (Putnam 1988:436).

The original empirical example used by Putnam to illustrate his argument is the 1978 G-7 summit. The meeting generated a complex but significant deal, by which the participating countries agreed co-ordinated strategies in order to cope with a series of global economic problems (such as high oil consumption and prices, and slow economic growth). The broader theoretical significance of the agreement, however, is argued to be the way in which it illustrates linkages between domestic and international politics. Firstly, the international agreement had domestic consequences, leading to several of the countries pursuing different domestic policies than would otherwise have been the case. Secondly, the two spheres, or 'levels', were linked (and recognized by participants as so) during the negotiations. One example of this latter point is the tactics adopted by the German Chancellor Helmut Schmidt: constrained by domestic opposition to his favored economic strategy, he had to let himself be seen to be 'pushed', as part of the overall deal, into an

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*Nor has the basic notion of multi-layered negotiations escaped scholars elsewhere. Indeed, much of Putnam's discussion draws heavily from the work of Walton and McKersie in discussing complex 'intra-organization' negotiations in the field of labor disputes: see Walton and McKersie (1991), and discussion below.
expansionary economic policy he secretly supported but would not otherwise have been able
to justify to elements of his domestic constituency (Putnam 1988:432).

These notions are then generalized into an attempt to build an integrative approach
to studying domestic and international politics. International negotiations are posited by
Putnam as constituting, in most instances, a two-level game in which, "[a]ny key player at
the international table who is dissatisfied with the outcome may upset the game board; and
conversely, any leader who fails to satisfy his fellow players at the domestic table risks being
evicted from his seat" (Putnam 1988:436-437). The shape of international agreements are
dependent in part on their domestic acceptability, while those agreements themselves have
domestic ‘reverberation’, influencing the subsequent policy choices available to
governments.

The approach as laid out by Putnam includes a model of international negotiations.
The model assumes that negotiations proceed at the international level (Level I) first,
followed by the domestic (Level II) process of ratification, although in reality, it is conceded,
"the two-level process may be iterative" (Putnam 1988:438). The term ‘win-set’ is then
introduced to serve as a concept for understanding the potential for a final agreement. The
win-set is defined as “the set of all possible Level I agreements that would ‘win’ - that is,
gain the necessary majority among the constituents - when simply voted up or down”, so that
“[a]ny successful agreement must fall within the level II win-sets of the parties to the accord”
(Putnam 1988:439). Two significant points are deduced from this notion: first, that larger

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10 Regarding ratification, Putnam suggests that "it is sometimes convenient to think of ratification as a
parliamentary function, but that is not essential". Attempting to make the model as generalizable as possible,
Putnam suggests that Level II actors may include bureaucratic agencies, interest groups, social classes, or public
opinion (Putnam 1988:439).
win-sets will make a Level I agreement more likely, by increasing the scope for a mutually acceptable deal; second, and perhaps of greater interest, Putnam contends that the relative size of two countries' win-sets may affect the distribution of gains from a mutually beneficial agreement. Specifically, (and drawing on the negotiations work of Thomas Schelling (1960)), a smaller win-set, connoting a lesser willingness to concede ground, can bring a country relatively greater gains from a bargaining agreement. The apparent paradox is that by limiting a negotiator's ability to make concessions at the bargaining table, domestic political divisions (normally taken to connote the internal weakness of a state) may thus generate a bargaining advantage: in international negotiations, strength can come from such weakness.

The two-level games approach is thus part of a body of work that seeks to go beyond earlier emphases in negotiations analysis on the 'power resources' of those at the bargaining table - such as official status, or size as reflected in military or economic power. In propounding the 'strength from weakness' notion, moreover, Putnam fits neatly with other work which has found that apparently 'weaker' actors can often seem to gain more favorable outcomes. Documented examples of this include Guatemala avoiding pressure from the USA on its human rights record far more successfully than did its much larger fellow Latin

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11Putnam does note that, consistent with the point made earlier, excessively small win-sets may well make any agreement impossible. It should also be noted that Putnam distinguishes between 'voluntary' defection from an agreement by national leaders, and 'involuntary defection' forced on leadership by an inability to ratify an agreement, a similar point to that made by Mayer: "domestic, political (factional) constraints may help a divided party claim value in the external bargain, but may also prevent parties from realizing all potential joint gains...If both parties are divided, factional constraints on both sides may together not only eliminate the possibility of reaching efficient agreement (or of reaching agreement at all) but also may neutralize any advantages of internal division" (Mayer 1992:801-803, emphasis added).

12Increasing attention, for example, has been given to more idiosyncratic elements of individual negotiations, such as the skills and personality traits of particular negotiators (Hermann 1995; Zartman 1991).
American state, Argentina (Martin and Sikkink 1993), and tiny Malta exerting considerable leverage over Great Britain in negotiations over military bases (Lax and Sebenius 1991).

Putnam also follows prevailing practice in his construction of the model of bargaining he presents. Most particularly, the model assumes only two actors at the international negotiating table: i.e., bargaining is essentially bilateral. Multilateral negotiations are widely acknowledged to be particularly difficult to conceptualize. As Zartman comments, "Multilateral negotiations disregard the assumption of two parties and in the process throw away the primary structural assumptions underlying basic negotiation analysis" (Zartman 1991:74; see also Lax and Sebenius 1991). Most work on modeling negotiations, as well as much empirical study, therefore focuses on the more analytically tractable bilateral case, a focus adopted by Putnam (notwithstanding the fact that his original example is from a multilateral forum). While analysts have recognized for some time the pervasiveness of such multi-sided negotiations (Lebow 1996; Hampson and Hart 1995; Snyder and Diesing 1977:29), only quite recently has the difference from the bilateral case been given sustained attention, with some far-reaching conclusions:

much is possible in multiparty situations that simply cannot occur in strictly bilateral settings, including coalitional alignments and realignments, the possibilities of de facto alliances, 'natural' coalitions and blocking coalitions. In particular this can lead to the blurring of a side in negotiation - where more than one entity nominally comprises a side, but 'internal' divisions and coalitions cutting across the different sides may act in concert (Lax and Sebenius 1991:188; see also Raiffa 1982:11).

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13The adoption of a bilateral model of bargaining is seen most explicitly in the 'Edgeworth box' presentation on p.447 of Putnam (1988).
The theoretical and empirical significance of the bilateral-multilateral distinction to the current study will be further developed in later chapters.

Putnam's conception of the linkages between the domestic and international levels, meanwhile, bears a marked resemblance to Walton and McKersie's understanding of 'intra-organizational' bargaining:

the system of activities which brings the expectations of principals into alignment with those of the chief negotiator... In a sense the chief negotiator is the recipient of two sets of demands - one from across the table and one from his own organization” (Walton and McKersie 1991:5-6).

Indeed, it is striking how closely Walton and McKersie's notion of the 'boundary role' of the chief negotiator parallels the importance granted the national leader by Putnam - a figure who is "the target of two sets of prescriptions about what the negotiator ought to do... The negotiator occupies a position that encompasses more than just a leadership role with his own organization; it includes a role relationship with the other negotiator" (Walton and McKersie 1991:284-85).

Thus, the two-level games model of bargaining can be seen to have drawn upon many of the concerns addressed in the extant negotiations literature,¹⁴ as well as speaking to far more general concerns in much of political science. The basic elements of Putnam's approach have been presented; it is now time to examine the manner in which the two-level games approach has been received by the political science community in recent years.

¹⁴There is, nonetheless (and inevitably), much work in this area that it does not draw on, some of which will be seen to be relevant in later chapters.
Two-Level Games after Putnam: Subsequent Research

While Putnam has not himself contributed greatly to further work on two-level games, other scholars have eagerly seized upon his ideas and sought to develop them further. This work has taken two principal forms: empirical case-studies examining domestic-international linkages in a variety of settings, and formal analyses dedicated to elaborating the two-level bargaining model.

The empirical canon includes an edited volume of case-analyses (Evans et al, 1993) and several other pieces. The edited volume, *Double-Edged Diplomacy*, presents the findings of a major project intended to assess the potential contribution of two-level games to an understanding of domestic-international linkages. While the overall tone of the book and its conclusions are positive about the potential for the two-level games approach, the empirical studies suggest the need to modify some of Putnam's original claims. First, domestic political constraints seem of no benefit in situations involving the issuance of threats between countries. In these circumstances, domestic weakness conveys simply an inability to follow through on threats, and is thus a hindrance at the international level (e.g. Odell 1993). Second, domestic constraints appear to offer a bargaining advantage only in circumstances where the domestic constituency is the party reluctant to accept a deal (e.g. Pastor 1993). If a hard-line leader, loathe to offer concessions, is faced with a domestic constituency more favorable to doing so, domestic weakness again fails to convey international strength. Its only effect is to undermine the hard-line leadership stance.

Third, the findings presented suggest that while pre-existing domestic constraints may be employed by leaders to exert bargaining leverage, strikingly little evidence exists of the
deliberate creation of such constraints - the ‘tying of one's own hands’ - by governments. This may well be because such domestic weaknesses are in many other respects damaging to a government. For example, the political instability that the Alfonsin government of Argentina used to create bargaining leverage in debt negotiations with the USA and IMF (Putnam 1988:442), was essentially the same factor which also caused that same government to be almost overthrown twice in attempted coups.  

The cases analyzed also suggested additional findings, on matters less anticipated by Putnam’s original work. A particularly interesting one is that the ‘autonomy’ of national leaders seems to decline across the passage of most negotiations. As Evans summarizes:

> state leaders are in the driver's seat as international agendas are being formulated. The more clearly international options become defined, the more leaders are constrained by mobilized interest groups and trapped by personal investment in the on-going negotiations (Evans 1993:399).  

Given the increasing importance now being placed upon agenda-setting in negotiations, this is a significant finding. If national leaders can effectively control the setting of the international agenda, this would suggest that they can retain a considerable degree of dominance in this sphere, by determining the issues that they address. Another notable observation is that there appears to be little relationship between the presence of transnational actors and the likelihood of an international agreement being reached - again, of some importance given the increasing attention now being paid to transnational actors (see above).

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15In addition, domestic weakness raises the probability of 'involuntary defection' by a country: that is, a government negotiating an agreement, but then having it over-turned by the failure to ratify it.

16Later, the same author goes on to say that "there is little doubt that agenda-setting usually reflects leaders' preferences" (Evans 1993:403).
In an earlier case-study, Lehman and McCoy (1992) had analyzed how the Brazilian
government was apparently able to use domestic political pressures to win an advantageous
debt re-scheduling agreement despite (or rather, according to the two-level games approach,
in part because of) its own weakness. Similarly, Moyer's more recent examination of
negotiations on agricultural price supports in the GATT Uruguay Round, finds:
"Interestingly, the United States and the Cairns Group appear to have gone much further than
the EC in modifying their negotiating positions... The small EC win-set for the
GATT...dictated by the agricultural interest-dominated EC and member nation bargaining
processes...has in fact strengthened the EC bargaining position, although it has also made
agreement difficult" (Moyer 1993:115). Thus, some support for one of Putnam's main
arguments can be observed.

In addition, both Moyer and Patterson (also examining reforms of European
agricultural policy) have refined the original two-level games notion by arguing that the EU,
in some situations, constitutes a third level of bargaining, operating above the national level
but below the global one (Moyer 1993; Patterson 1997). This is seen most clearly in the
GATT negotiations which these authors examine, where the Union is represented as one
bloc, national negotiating positions having been harmonized into a single EU position to be
represented in the international talks.17

Footnote:
17Making a similar argument outside the context of the EC, Knopf (1992) has suggested that alliances can
often form a level between that of the national and the global. In another application drawing upon some of
Putnam's notions within the context of the EC, Smith (1995) describes how the UK government was able to use
the existence of a European level of governance as a cover for imposing losses on a domestic interest (in this
instance, a shipbuilding firm and its workers in Northeast England) at a lower political cost to the government
than might have otherwise obtained. The government was able to direct some of the blame towards the EU,
and in particular the European Commission, thus allowing 'Brussels' to serve as a convenient scape-goat for
(continued...)
The other main line of work on two-level games has been that seeking to extend Putnam's original model of bargaining. The overall conclusion that can be drawn from this work is summarized by Iida's statement, "that the reality is much more complicated than implied in [Putnam's] initial work. This is so even though the models [used by Iida and others] are highly stylized and simple, compared to the complexity of real-life negotiations" (Iida 1993:418-19). Several ambiguities in Putnam's original formulation have been identified, and some refinements suggested. The first of these concerns the nature of the assumptions about the information possessed by the various parties involved in the bargaining process. Pahre contends that under assumptions of perfect information the size of win-sets is irrelevant to the probability of securing a bargaining agreement: agreements occur whenever there is overlap between win-sets no matter how small (Pahre 1993; see also Iida 1993 and Mo 1995 for similar points). The implication is that Putnam's arguments both on this issue and on the impact of domestic constraints on bargaining leverage are dependent on an (implicit) assumption of imperfect information - both about one's own domestic political situation and the status of one's negotiating partner. While this seems to fit in well with the empirical findings (Evans 1993:408-412), it also implies more complex (and possibly indeterminate) models.

Another distinction left implicit by Putnam is that between variable-sum and zero-sum bargaining - though negotiation analysts have long been aware of the differences between the two (Raiffa 1982; Walton and McKersie 1991):

(...continued)
the negative consequences of policy decisions which the UK government had intended and desired to carry out in any case.

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Tactics that are successful in a game of chicken with Saddam Hussein may not be so desirable in free trade negotiations with Mexico. When the international negotiation is variable-sum and involves great potential for realizing joint gains and little opportunity for claiming competitive advantage, unresolved domestic factional conflict may be wholly unproductive and may prevent nations from cooperating for mutual benefit. This would appear to be the case in international agricultural negotiations: the potential joint gains from reducing trade-distorting subsidies and barriers are enormous, but powerful farm interests have generally prevented the realization of those gains. On the other hand, when the international negotiation is largely about dividing a fixed pie, factional blocking may facilitate commitment strategies that claim a larger share (Mayer 1992:797; see also Iida 1993).

Both Mayer and Iida develop more intricate spatial models that indicate possible ways in which this distinction could be incorporated into two-level games models.

Pahre (1993) has also developed some intriguing ideas regarding different forms of domestic pressures on Level I negotiators. In particular, he distinguishes between 'formal ratification' procedures, where any deal must be explicitly endorsed in the domestic polity, and an 'optimization' game where the concern of the negotiator is to win the maximum amount of public approval but without putting the agreement to any formal yes/no vote. This 'optimization' metaphor is likely to be pertinent to many situations in which the government's concern may not be winning immediate approval for its actions, but the longer-term impact of any agreement on its levels of support. Developing these concepts through a series of formal models, Pahre is able to show that the alternative notions of ratification and

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18Examples of these situations may include parliamentary system of government with strong party discipline, or, at the other end of the spectrum, non-democratic systems in which the leadership needs to maintain the long-term loyalty of significant forces like the armed forces or the nobility. For a non-formal discussion of very similar issues, see Hagan (1995).
optimization do not necessarily imply the same behavior by a rational government. At the very least, the distinction Pahre draws suggests a need for analysts to think carefully about the nature of domestic pressures that negotiators may face.

Finally, both Mo (1994) and Pahre (1993) have made important distinctions between the interests of a negotiator and their constituents. The simplest form of this argument is that ‘constraints’ on bargaining flexibility imposed by a domestic constituency can only be of assistance to a negotiator if the negotiator ultimately shares similar aims for the negotiations as their constituents. Putnam suggests that “a small domestic win-set can be a bargaining advantage: ‘I’d like to accept your proposal but I’d never get it accepted at home’” (Putnam 1988:441). This may indeed be a useful source of leverage for a negotiator who wishes to push for as many concessions as possible from his opposite number. It may be distinctly harmful, however, if one perceives the nation’s true interest as being in adopting a less ‘hawkish’ policy, but is constrained from doing so by domestic forces. Alternatively, of course, and as suggested in many empirical studies, the negotiator’s perception of the national interest may be much more hawk-like than those of people back home. These distinctions imply that, contrary to Putnam’s original stated aim in developing the notion of two-level games, his understanding of international bargaining still reflects, at some level, a fundamentally unitary view of state interests. They also suggest that the notion of domestic constraints being a bargaining advantage requires refinement - one needs to understand precisely whose interests are being advanced by the outcome of negotiations.\(^{19}\)

\(^{19}\)It does not generally follow, as Lehman and McCoy would have it, that domestic weakness alone explains hardline negotiation, since state and public preferences together determine whether this is true... In non-formal terms, autonomy is unimportant unless we know the goals of the autonomous states and whether or not they are (continued...)
In this chapter, I have presented an initial review of work examining the general issue of linkages between domestic and international politics, giving particular attention to that developed under the aegis of the two-level games approach. The broader concerns to which two-level games attempt to speak have thus been established, and both the basics of the approach as outlined by Putnam, and how subsequent efforts have built upon his work, have been made clear. The following chapter will move on from this essentially descriptive review, by turning a more critical eye to the accumulated two-level games literature. Specifically, the aim will be to consider possible shortcomings in this work, and their potential implications for the study of the Maastricht negotiations which is to follow.

(...continued)
consistent with the goals of (other) autonomous states." (Pahre 1993:27). On this general theme see also Crawford (1982), and Snyder and Diesing (1977). Elsewhere, Milner (1997) makes the argument that domestic political influences have the general effect of making international cooperation less likely to occur than even realist theorists have suggested. However, the fuller implications of this argument, both domestically and for the nature of international politics, are not very highly developed.
CHAPTER 3

TWO-LEVEL GAMES: AN INITIAL ASSESSMENT

The previous chapter concluded by elucidating the main directions taken by two-level games research after Putnam's original statement, and the main findings of this work. In this chapter I present a critical assessment of this body of literature. The approach has generated considerable scholarly interest, and has clearly proven of considerable value as a heuristic framework in several different contexts. But the question remains whether it is likely to match up to the far-reaching claims made on its behalf. Does the two-level games approach, as Putnam suggests, provide a means towards the integration of the subject matter of the comparative politics and international relations fields within political science (Putnam 1988:436, 459)? Some scholars would answer in the affirmative. Summarizing the results of the Double-Edged Diplomacy project, Evans issues the following ringing endorsement:

Even Lakatos would have to consider it a progressive research program. It elucidates otherwise confusing outcomes, extends the scope of the empirical evidence for which it is possible to provide an account, and, most important, generates additional puzzles (Evans 1993:426).

Outlining three areas in which the posited achievements of the two-level games approach are open to question, I advance a more skeptical viewpoint in this chapter. First, I demonstrate
that the models of international bargaining presented by Putnam and others fail to provide a sound basis for the analysis of the numerous instances of multilateral inter-governmental negotiations. Based on the assumption of bilateral bargaining, they have failed to take account of the alternative decision rules (unanimity versus majority) which can and often do pertain in multilateral negotiations. As I show, changes in decision rules can alter the impact made by a country's domestic political conditions on its international bargaining leverage. The relationship between domestic politics and international negotiations, in other words, may often be complicated by an important set of considerations that the existing literature has failed to address.

Second, and potentially of more fundamental significance, I argue that two-level games advocates have been signally unable to demonstrate that the approach genuinely integrates the study of domestic and international politics. By focusing on the position of the negotiator who operates at the nexus of domestic and international pressures and processes, Putnam and subsequent scholars have developed what is essentially a theory of leadership behavior in international negotiations. They have not demonstrated that analyzing such behavior accounts for most, or the most important, linkages between the domestic and the international spheres. Third, and relatedly, I argue that the two-level games approach has conceptualized domestic-international linkages in an excessively limited and impoverished manner. By systematically ignoring the role of trans- and supra-national actors, it neglects forces which can frequently be of considerable importance; indeed, they are widely considered to be a large portion of the growth in links between the domestic and international
spheres. In the concluding section of the chapter, I then assess the implications of these arguments for the empirical study which follows in chapters 4 and 5.

Modeling Bilateral and Multilateral Negotiations

Bilateral Models and Domestic 'Constraints': The study of negotiation processes is notoriously difficult - not the least reason being what Colosi terms 'the iceberg principle': that "negotiations are analogous to icebergs in that negotiators usually keep private nine-tenths of what really happens" (Colosi 1986:244). As one means to simplify analysis and facilitate understanding, negotiations analysts, like scholars in other fields, have often found it helpful to develop simplified formal models of the processes under investigation. While not without certain problems,¹ such modeling efforts, based around explicit assumptions regarding factors like the number of parties, their preferences over alternative outcomes, and the rules governing the bargaining, can sometimes be of considerable value for isolating particular aspects of negotiations dynamics.

As explained earlier, the original exposition of the two-level games approach sketched out a simple model of bargaining. This model was used to make some specific

¹In the words of two distinguished analysts: "A (more) serious deficiency of game theory is the assumption that participants act as if they attached constant numerical values to the possible outcomes. The fact is that evaluations of the outcomes are not constant during the course of negotiations. Indeed, apart from the final single moves... the negotiators' bargaining activity serves primarily to estimate these utilities and to alter them" (Walton and McKersie 1991:48. Emphasis in original). While not incorporated into his two-level games work, this point is largely conceded by Putnam elsewhere: "In practice, negotiation (especially internationally) is more than mere bargaining over a fixed, known payoff matrix. Much of what actually happens is attempted persuasion. Behaviorally at least, our account of the events of 1977-78 suggests that it is highly misleading to disregard the degree to which policy makers, negotiating internationally, actually try to convince one another that their respective models of the world and even their respective preferences are mistaken. Under uncertainty, international communications and persuasion can change minds, move the undecided, and hearten those in the minority, domestically speaking" (Putnam and Henning 1989: 110).
claims about the relationship between domestic politics and international negotiations. In particular, Putnam argued (borrowing heavily from the work of Thomas Schelling) that a country whose leaders were subject to severe political constraints at home might often be able to turn this into a bargaining advantage in negotiations with their international counterparts. The basic idea is that such domestic weakness can be exploited by a leader to demonstrate an inability to offer concessions, thus forcing the other party to give more ground than it would otherwise have done if it wishes to reach an agreement (Putnam 1988:441).

As indicated in the previous chapter, Putnam’s original modeling efforts have been qualified and amended by subsequent work. Yet while several ambiguities and inconsistencies have been addressed, at least one fundamental issue has remained essentially neglected. This is the extent to which the results from a bilateral model of international negotiation will continue to hold true for multilateral models. Whatever the assumptions made regarding information levels, the preferences of domestic constituencies and national leaders, ratification procedures, and so on, the negotiations dynamic implied by any model may differ depending on the number of parties present at the table.

It is somewhat curious that Putnam chose to construct a bilateral model of international negotiations, given that the initial inspiration for the two-level games approach

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2It may, however, be more helpful to follow the original examples of both Walton and McKersie (1991) and Schelling (1960) in referring to ‘commitment’ to a particular negotiating position, rather than ‘constraints’ on the flexibility of negotiators. What is surely more important in terms of international negotiations is the degree to which negotiators feel able to adopt a flexible negotiating stance. International negotiators being constrained by domestic political constituents is then but one particular instance of the more general phenomenon.
was his work on a multilateral forum, the 'G-7' summits of leaders of the major industrialized nations. However, this arguably does no more than reflect the broader neglect of multilateralism in the study of negotiation, something at least partly attributable to the relative analytical tractability of negotiations between two parties: "[m]ultilateral negotiations disregard the assumption of two parties and in the process throw away the primary structural assumptions underlying basic negotiation analysis" (Zartman 1991:74; see also Lax and Sebenius 1991). Putnam himself appears to slip from his initial discussion of the multilateral case into the bilateral model almost without noticing (Putnam 1988:435-443); certainly, no attempt is made to highlight this as being something of potential significance.³

The assumption of bilateralism, however, may in fact be of huge importance. Recent scholarship within international relations has seen increased attention paid to the forms and the implications of multilateral cooperation (see Ruggie 1992; Keohane 1990; Caparoso 1992; Kahler 1992). And within the negotiations literature, there has been a growing recognition of the importance of the bilateral-multilateral distinction. As Lax and Sebenius note, "Apart from various group dynamics that have no bilateral counterparts, many elements of multiparty situations simply cannot occur in negotiations between two monolithic parties".

³Similarly, despite considering a variety of factors (different institutional structures, alternative arrangements of preferences, and variation in the degree of information possessed by the actors), Milner's recent work makes no attempt to move from bilateral models to multilateral ones. Her argument for this is that [e]ven in multilateral forums, bargaining is usually conducted by the two key players negotiating first and then the other states signing on to this agreement. Many multilateral negotiations are thus a series of bilateral negotiations that are later 'multilateralized' by the states with less at stake in each issue" (Milner 1997:71-72). This may be so for some cases, including the GATT negotiations which Milner employs as one of her cases, but seems unlikely to apply to all instances of multilateral international negotiation. As will be seen in the following chapter, it seems particularly inappropriate in the EU context.
Multilateral negotiations have been widely recognized as generating very different dynamics from their bilateral counterparts, "where the two parties are immediately cast as adversaries... In multilateral negotiations, the initial perception is not adversarial because participants do not know who is the adversary and because structuring the dynamics on the basis of confrontation would turn all parties into a coalition of opponents" (Zartman 1994:1-2). Given these very different dynamics, the generalizability of conclusions such as 'strength from weakness' must at the very least be called into question.

Exploring the Implications of Multilateralism - Alternative Decision Rules: Summarizing much of the recent work on multilateral negotiations, Hampson and Hart state that:

The principal characteristic of these negotiations is complexity, involving not just large numbers of players but multiple interests, roles, issues, and hierarchies, all of which may vary over the duration of such negotiations (Hampson and Hart 1995:4).

Some issues, however, are relatively clear. In particular, one fundamental distinction between bilateral and multilateral negotiations is that in multilateral bargaining situations, alternative sets of decision-rules can be used to determine bargaining outcomes (Hampson and Hart 1995:32; Brams et al 1994; Mohammed 1996). Negotiation between two parties must proceed by unanimity: if not, what is occurring is not negotiation but the dictat of one

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4A similar point is made by Hampson and Hart: “Multilateral negotiations are fundamentally different from bilateral negotiations. Large numbers do in fact introduce a qualitatively different kind of diplomacy” (1995:4).
party to the other. While many multilateral bargaining situations do in fact witness unanimity rules in the making of decisions, others can and frequently do operate by some form of majority rule, in which an agreement binding on all parties can be made against the wishes of some (Dupont 1994).^3

It remains an open - because unexplored - question, what the impact of alternative decision rules might be on the dynamics of negotiations where one or more party, a la Putnam, exhibits considerable commitment to a bargaining position due to domestic political circumstances. What follows is a fairly rudimentary analysis, but one that nonetheless suggests some interesting results. The basis is a simple model of multilateral bargaining, in which the degree of commitment and the decision rules employed are allowed to vary.

Figure 1 presents a simple model of multilateral bargaining, comprised of three-actors within a two-dimensional issue-

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^3Examples of multilateral forums outside the EU employing unanimity rules include the League of Nations in its enforcement (or lack thereof) of the policy of collective security, some 'mini-Cabinets' in coalition systems, where the senior coalition partners each have an effective veto on policies, and certain 'neo-corporatist' relationships between organizations representing business and organized labour cooperating with government; examples of majority rule cases include many Cabinets, the UN Security Council (although permanent members do have a veto), and the United States Supreme Court.
Points a, b, and c represent the original bargaining positions of the three actors.

First, one can consider what might occur under a unanimity rule. I assume that a’s win-set includes all those points within the indifference curve OA. Further assuming that b and c prefer agreement at this point to no agreement at all, an outcome as far away from a’s original position as X is possible. Now consider what might occur if, still under a unanimity decision-rule, a becomes more firmly committed to not giving way in negotiations - a development represented by a contraction in a’s win-set from OA to OA’.

If b and c still prefer this to no agreement at all, the outcome will be an agreement at a position no better for them (and no worse for a) than point Y. Thus, under unanimity, the original ‘strength from weakness’ prediction of the bilateral two-level games model does hold for multilateral bargaining: a constrained or committed bargaining position does seem to offer greater bargaining leverage.

What might happen, however, if the unanimity condition is relaxed? With a willing to offer concessions up to OA, an outcome between any two of the three parties could be agreed at points where one or both of those agreeing the deal would be better off than at point X. The model indicates no stable core in this situation. However, if a is committed such

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*By using only three actors, the model thus presents the most simple form of multilateralism. However, as Caplow has argued, many of the basic processes witnessed in such triads are qualitatively different from those in dyads. Moreover, "Willis [1962 article] has shown that a theory of coalitions in the triad can be extended to tetrads with only a few additional assumptions, although with a considerable increase of complexity" (Caplow 1968:10).

*In the language of negotiation analysis, the pay-off they receive from an agreement at point X is better than their BATNA - Best Alternative To a Negotiated Agreement (Keeney and Raiffa 1991:133-134).

*The 'core' is the set of outcomes which cannot be overturned by a feasible winning coalition wishing to make itself better off (Morrow 1994:118).
as to be able to offer concessions no greater than those represented by \( OAi \), a very different picture emerges. There is now an unambiguous incentive for \( b \) and \( c \) to reach agreement in the bargaining zone framed by \( Y \) and the lines \( OP \) and \( OQ \). Any point within this zone would make at least one of them better off and neither worse off than outcome at point \( X \). Thus, contrary to the position under unanimity, under majority rules a committed bargaining position appears to represent a strong potential disadvantage in bargaining. Such commitment appears most likely to render a party isolated, and lead to an outcome being agreed by others at a position farther from that preferred by the committed actor.

This result is important, for it indicates that the rules employed in multilateral negotiations have the potential to be a crucial structural factor shaping the decisions reached. Only under a unanimity rule does Putnam’s original argument, developed in the context of a bilateral model, hold. Under majority rules, where a party can be isolated by others, commitment to a relatively fixed position is likely to be harmful, and the traditional emphasis on a government ‘negotiating from strength’, in the sense of having strong domestic support for whatever negotiating choices it makes, is likely once again to be applicable. The potential implications of this finding for understanding the importance of decision rules in multilateral forums, including the European Union, are considerable.

In a multilateral forum, winning support for measures requires one to achieve a consensus in favor of what one is seeking, and this may therefore encourage a certain flexibility and willingness to compromise (unless the alternative to no agreement is likely to be more favorable to oneself than to others, or one can credibly threaten withdrawal from the grouping and have this threat feared by the other parties). In majority rule situations, the
pressure to win allies and support is particularly intense, however, as not only can one not achieve one’s own goals without supporters; one is also unable to veto undesirable alternative options without support from others. A fixed bargaining position can render oneself more open to isolation. This creates problems for those actors, like the UK government in the European Union, which have a history of being a rather isolated, ‘awkward’ partner (George 1990, 1993). The importance of majority decision rules, and their implications for bargaining strategies, has already been recognized in this context. Discussing the UK’s role in inter-governmental bargaining in the EU, Stephen George comments that:

Once the veto had implicitly or explicitly disappeared from the decision-making process, the whole nature of the bargaining game changed. What had been a feasible if unpopular means of negotiating, that is confrontation to get concessions, backed by the threat of a veto, became unviable. It became that much more important for Britain to be able to win allies in negotiations so as to be able to construct either a qualified majority for measures it supported, or a blocking minority for measures it opposed (1993:189; see also George 1997:106-107).

A Genuinely Integrative Approach?

The question facing international relations theorists today is not whether to combine domestic and international explanations into a theory of double-edged diplomacy, but how best to do it (Moravcsik 1993b:9)

Andrew Moravcsik, introducing the Double-Edged Diplomacy project, presents a powerful endorsement of the two-level games approach. Yet his advocacy rather unwittingly points
to a fundamental question - one alluded to in the above quote and further illustrated both in the statement that the two-level games approach "is a theory of international bargaining" (Moravcsik 1993b:16), and indeed by the title of the volume from which these quotes are drawn. The question, simply stated, is whether two-level games does or can constitute a genuinely integrative approach to studying domestic-international linkages, or whether the contribution it can make is more limited?

Nothing in Moravcsik's statement (addressed, it should be noted, to theorists of international relations) would be remotely out of place in the 'inside-out' (or to give it its more traditional name, 'second image') school of literature, dedicated to studying the impact of domestic political factors on international relations. This school, reviewed in the previous chapter, is one whose contribution the two-level games approach is explicitly dedicated to moving beyond. It is well-established that international negotiators frequently must consider domestic politics when engaged in bargaining with the representatives of other states; it is also the case that the bargains they reach (or their failure to reach an agreement) can in turn often generate domestic 'reverberation'. But merely stating this would seem to amount to considerably less than an 'integrative approach'. Rather, two-level games remains essentially, as Moravcsik acknowledges, a theory of international negotiations (Moravcsik1993b:16); or, more precisely, a theory of the behavior of national negotiators/leaders, when these figures, by engaging in negotiations with their foreign counterparts, are placed at the international-domestic nexus.9

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9The precise value of such a theory to an overall understanding of international negotiations - never mind the rest of international relations - depends in part, as will be seen in the following chapters, on whether national statesmen are the only key actors shaping the dynamics of international negotiations.
This general point is of particular pertinence to scholars in the comparative politics field. Empirical applications of the two-level games framework, ranging (as seen earlier) across a variety of phenomena, find numerous instances where domestic political conditions appear to influence the outcome of international negotiations. In many cases, the negotiations also have observable implications for the domestic polity. But by making the international negotiation episode the center-piece of their approach, two-level games analysts leave little space for the analysis of domestic politics, except insofar as it either manifestly impacts or is impacted on by a particular instance of international negotiations. The two-level games approach, and virtually all applications of it, have thus demonstrated little concern for factors such as the structure of domestic political competition, and the overall stability and functioning of the political system, unless these factors can be related to international negotiations. Minimal interest is shown in these issues, even though they are the essence of much of the comparative politics field. This *may* be perfectly acceptable if one's sole theoretical purpose is to build a model to explain the outcomes of international negotiations. It is distinctly problematic, however, if the aspiration is to integrate mainstream comparative politics and international relations research into a common enterprise.

Indeed, the tendency of the two-level games framework to foreclose enquiry into such matters likely helps to account for the much greater enthusiasm shown for the approach amongst scholars of international relations compared with those in the field of comparative politics, and for the distinctly frosty reception given to two-level games work by members of the comparative politics community. John Jacobsen, for example, has argued that by focusing analysis around specific instances of international negotiations, conceptions of the
domestic political sphere are impoverished, being reduced to notions of a more-or-less unitary 'state' as a political actor, and of possible 'constraints' on that state. Citing Gabriel Almond as being puzzled that much, "cross-disciplinary work should now be insisting on the reintroduction of the concept of the state, in the 'black box' sense of the state, as a unitary actor that may be strong or weak" (Almond 1990:26), Jacobsen observes that:

This tendency afflicts any model that is determined to preserve the primacy of the international sphere, and so it pervades two-level games analysis... The Janus-faced depiction precludes investigation of the origins of COG [Chief of Government] preferences... It is little wonder that these studies wind up reviving a stale form of statist theory" (Jacobsen 1996:98-99).

The two-level games literature contains many rather ad hoc discussions about the impact of specific international negotiations episodes on the domestic politics of various countries, as well as some more theoretical contributions - discussed earlier - regarding how domestic politics can influence the negotiations themselves. But one will generally search in vain for notable two-level games contributions to major issues in comparative politics - a two-level theory of state development, of internal political competition, or of political stability - that remotely advances the contributions of the 'outside-in' research tradition reviewed earlier, or of work that largely neglects external factors.10 Thus, despite their aspirations towards forming a genuinely integrative approach, two-level games analysts have signally failed to speak directly to many of the concerns of comparative politics. In addition, the two-level games approach must also confront yet more deep-rooted problems with its conceptualization

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10A partial exception is the discussion of interest group lobbying presented in the recent volume by Milner (1997).
of the 'international' and the 'domestic' spheres and the possibilities for linkages between them. It is to these matters that I now turn.

**Conceptualizing the Domestic and the International Spheres**

If an analytical approach is to understand adequately linkages between the domestic and the international political spheres, it stands to reason that it should be grounded both in appropriate definitions of these two spheres and in a satisfactory understanding of the nature of the linkages that may exist between them. Unfortunately, in both these respects, the existing two-level games literature reveals distinct shortcomings.

While the two-level games approach is centered around episodes of international negotiations, it is far from clear that it thereby addresses all, or even most, of the sphere of international politics. There are significant portions of international relations to which it appears to have limited relevance. The first, which many realist theorists might be inclined to emphasize, is instances of outright conflict between countries. While one might counter that such episodes often follow the breakdown of negotiations, or that some negotiations are usually needed either to conclude the conflict or after the conflict has been concluded, the basic point is still valid. Another feature of international politics is the ongoing practice of established international norms. Of course, these norms may themselves be the result of prior negotiations - some of which may incorporate norms into formal treaties or into international organizations. A more radical line of argument might also suggest that norms

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11 While this might appear to be holding the two-level games approach to a particularly high theoretical standard, it should be remembered that, as seen earlier, this is no more than the standard which advocates of the approach have themselves set.
are, to some degree, permanently in the process of being re-shaped, re-formed, and (at least informally) re-negotiated. But the operation of norms is surely still conceptually, and, to at least some degree empirically, distinct from negotiations. The argument has been made that negotiations constitute an increasingly important part of international politics: “we are entering an era in which international negotiation appears to be the predominant mode of relations between states, and conditions in the international system are likely to maintain this mode for some time to come” (Winham 1977:111). Nonetheless, they remain far from being the totality of the international sphere.

This general argument applies with yet greater force to the comparative field. As discussed above, the primary interest of the two-level games framework in domestic politics is with how it influences or is influenced by the outcome of international negotiations. That is, the two major questions asked are ‘what influence will domestic circumstances have on the prospects of reaching a Level I agreement or of ratifying an agreement if one is reached?’, and ‘what impact will any agreement (or lack thereof) have on the domestic polity?’. As discussed earlier, much of the substance of domestic politics is thereby given distinctly short-shrift. It would certainly be correct to observe that much of what can generally be defined as ‘domestic’ politics occurs within a broader context shaped by developments in the international sphere. As discussed already, it is also surely the case that domestic politics influence much of what occurs internationally. But to subordinate the study of the domestic sphere to these two concerns alone - how it affects and how it is affected by international negotiations - must almost inevitably impoverish one’s understanding of the diverse subject matter which the comparative politics field has traditionally sought to address. The two-level
games approach tends to point analytic attention away from detailed investigation of the domestic polity. The tendency may then be simply to resort to general notions of how the structure of that polity influences international behavior:

Domestic structure...is an extremely vague and static concept invoked in international relations as if invocation alone explained residuals. This palliative term enables international relations specialists to continue to privilege systems-level explanations (Jacobsen 1996:108).

Of probably yet greater concern are the serious questions that must be raised regarding the manner in which the domestic and the international spheres are posited to be related to each other. Much previous work analyzing domestic impacts on the international sphere and vice-versa (reviewed in chapter 2), has conceptualized domestic and international politics as spheres that were conceptually distinguishable, but which in practice had porous boundaries. The framework established by Putnam, however, is rather more constraining in its analytic implications. All domestic-international linkages are seen as passing through the machinery of the state. Specifically, the government negotiator is presented as being the essential - indeed, the only explicitly stated - link between the domestic and the international spheres. As Jacobsen (1996) and others have observed, the two-level games approach thus leaves little analytic room for other types of linkages between the domestic and the international, or for the potential roles of other actors.

Among those neglected elements are transnational linkages, which the state-centrism of two-level games means downplaying - indeed, virtually excluding from the framework.
(Knopf 1992). Little attention is paid to this dimension of domestic-international linkages. Yet the transnational dimension, as discussed above, is one of the crucial means by which the domestic polity may be linked to its external environment. Risse-Kappen observes that:

A growing consensus in the field maintains that interactive approaches integrating external and internal factors offer a better and richer understanding of foreign policy than accounts exclusively relying on one aspect. But most conceptualizations ignore transnational activities. Putnam's 'two-level game' model, for example, links international relations and domestic politics, but accepts the state-centered paradigm. The international and the domestic realms are connected through the actions of national governments and state negotiators.... Those who theorize about international relations and about domestic politics tend to ignore the linkages between societies and societal actors across national boundaries (1995a:16).

The failure to deal with transnationalism is particularly unfortunate, given that (as was discussed in chapter 2), it offers one of the major means by which the domestic and the international spheres may be connected. But it is not the only respect in which the two-level games conceptualization may be lacking. In addition, the potential impact of supra-national actors and processes - such as the role of specific organizations like the European Commission, and the institutional rules which shape interactions between actors within the EU - is similarly neglected by the approach.

In sum, the failure of two-level games to conceptualize adequately either the ‘domestic’ or the ‘international’ spheres of politics, or the possible connections between...
them, suggests that the approach offers a highly restrictive basis from which to approach the study of domestic-international linkages, still less to attempt the integration of comparative politics and international relations research. Rather than advancing the theoretical and conceptual tools with which analysts approach the study of domestic-international linkages, this neglect of earlier advances in the understanding of domestic-international links appears, in many respects, to offer a step backwards towards a more crude understanding.

The discussion in this chapter has pointed to certain limits and problems in the existing two-level games literature. I have argued that bargaining between governments in multilateral settings may need to account for alternative decision rules, a factor neglected by existing work. I have also suggested that the two-level games approach may be more fundamentally limited, and limiting, by focusing analysis almost exclusively on national governments and their leaders as the key actors linking the domestic and the international spheres. More broadly, it has also been argued that two-level games have severe shortcomings as a general ‘integrative approach’ to the study of domestic-international linkages. The task is now to address how and where these theoretical reflections are pertinent to empirical research. In the following chapter, therefore, I turn to the empirical study of the UK government and the Maastricht negotiations.
Figure 1: A Model of Multilateral Bargaining Under Unanimity and Majority Rules
CHAPTER 4

BRITAIN AND THE MAASTRICHT TREATY

This chapter offers a sharp break, both in content and style, from its predecessors. Some words of introduction and explanation are therefore in order. The previous two chapters were devoted to exploring the two-level games approach and identifying the primary theoretical questions to be considered in this study. The task undertaken in this chapter is to present an account of the events against which these questions are to be evaluated. This presentation will be followed, in Chapter 5, by an evaluation of the degree to which the two-level games approach is able to explain the events surrounding the Maastricht treaty, and in Chapter 6 by an assessment of the broader theoretical conclusions to be drawn from this study. Presenting the initial empirical account in as 'neutral' a manner as possible, thus avoiding the pre-empting of later discussions, does mean, however, that the theoretical debates of the previous chapters find little explicit reflection here.

The TEU was signed in February 1992 by the then 12 member governments of the EU. As indicated earlier, the treaty has been interpreted as a substantial advance in the closer economic and political union of Europe (McKay 1996; Corbett 1992). Indeed, when

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1The EU has subsequently expanded its membership to 15, with the entry in January 1995 of Austria, Sweden and Finland as new members.
taken in conjunction with the earlier Single European Act (SEA) agreed by the same
governments in 1986, it may be regarded as part of a broader period of progress for the ideals
of ‘Euro-enthusiasts’. Nonetheless, Maastricht also presented them with some
disappointments. Even prior to the considerable difficulties later experienced with ratifying
the treaty, in the face of public confusion and hostility in some member states, the treaty
itself was not all that many advocates of closer integration had wished for (Ross 1995; Baun
1996).

To what degree, then, did the final outcome of the negotiations represent a triumph
for the United Kingdom and its government? Debates about how closely Europe should be
unified, and the degree to which the UK should be a part of that unity, had remained a
perennial issue of domestic political debate in Britain for decades (Brivati and Jones 1993;
George 1990). But few in the mainstream of British politics had ever been willing to
advocate the UK being part of some sort of federal European construction. In the years that
led up to the Maastricht Treaty, these debates assumed probably a greater prominence than
ever before. Two Conservative Prime Ministers, Margaret Thatcher and John Major, were
confronted with the dilemma of how to maintain relations with Britain’s EU partners while
also holding to long-standing British preferences for European cooperation to be structured
around the dominance of national governments. These preferences appeared under pressure
from the growing support, among both the governments of its partners and, to a lesser degree,
among the European public, for the more federalist agenda advanced by Commission President Jacques Delors and others.

The differences between the UK government and the federalist forces had been clarified in the late 1980s by two important speeches, which also helped set the tone for the increasingly confrontational relationship between Mrs Thatcher and much of the rest of the EU, including the Commission President. In the first, given to the European Parliament (EP) in July 1988, Delors called for further advances in the economic, social and political union of Europe, and predicted that within a decade some 80 per cent of legislation relating to economic and social matters would be made at the European, rather than the national level. The second speech, delivered by Thatcher two months later in the Belgian town of Bruges, issued a strong defense of the traditional British approach, which she termed ‘willing and active cooperation between independent, sovereign states’. And in what was widely interpreted as an attack on the perceived ambitions of the federalists, she then went on to state:

I am the first to say that on many issues the countries of Europe should try to speak with a single voice. But working more closely together does not require powers to be centralized in Brussels or decisions to be taken by an appointed bureaucracy... We have not successfully rolled back the frontiers of the state in Britain, only to see them recognized at a European level, with a European super-state exercising a new dominance from Brussels (cited in Urwin 1995:241).

These speeches were not mere isolated incidents, or simply evidence of the (by the late 1980s) undoubted personal animus between Thatcher and Delors (Ross 1995; Thatcher

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3Thatcher was speaking at the College of Europe, located in the Belgian town.
1993). They also articulated fundamental disagreements, in a dispute where the UK was often to appear to be either in a minority or even completely isolated. As Urwin comments, "[f]rom the SEA through to the 1991 Maastricht debates on constructing a new and more extensive political framework for the EC, a bruised and usually isolated Britain seemed to be waging a lonely and futile rearguard action against an integrationist juggernaut" (Urwin 1995:242).

At the same time, both Thatcher and her successor, John Major, had to be aware of the state of their domestic party, which at all levels - from the Cabinet through backbench Members of Parliament (MPs) and even down to the grass-roots in the country - showed increasing division between factions concerned respectively with the maintenance of good relations with the rest of the EU, and upholding British independence from any encroachment by a Euro-federalist agenda (Cowley and Norton 1996; Baker et al, 1996).

Nested within the domestic political context of the need for Thatcher and Major to try to keep their party relatively united, this chapter will aim to establish the degree to which, on the issues of EMU and of the powers of the European Parliament, the Conservative government was able to achieve its fundamental goal of securing an agreed treaty text that conformed to British preferences. On both issues, the leaders shared essentially 'minimalist' preferences: neither was in favor of plans to move towards a single European currency by the end of the 1990s, or of granting the European Parliament substantially greater prerogatives

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Cowley and Norton (1996) document that a huge proportion of dissent by Conservative MPs in plenary votes during the 1992-97 parliament was accounted for by European issues, predominantly the ratification of the Maastricht treaty. Similarly, data gathered by Baker and colleagues demonstrate significant attitudinal divisions within the Conservative parliamentary party during the same time period (Baker et al 1996).
in the making of European laws. To what degree - backed by the ultimate threat of being able to veto any new treaty - was first Thatcher, and then her successor, able to achieve their aims in the two different areas?

The analysis of the TEU negotiations that follows will draw evidence from a wide variety of sources. For each of the two issue areas examined, the discussion will be presented in three-stages: the crucial (though often neglected) pre-bargaining stage, in which the aim will be to understand how and why bargaining on these matters ever came to be considered, and why it was approached in the manner it was (Lebow 1996); formal bargaining during the year-long Inter-Governmental Conferences (IGCs), at which representatives of the national governments debated the various proposals on the table; and lastly, the ultimate treaty agreement and how the outcomes contained within it can be interpreted. The second part of the chapter will follow the same format for the issue of the powers of the EP. First, however, I turn my attention to EMU, and the fierce debate surrounding the desirability or not of a European single currency.

**EMU and the Single Currency**

*Pre-Bargaining:* One probable reason why the Maastricht debates about EMU managed to be conducted within a fairly well-defined agenda (at least, as will be seen later, when compared to the issues in the Political Union IGC) is that EMU was not really a new issue at all. Serious consideration of economic and monetary union had begun as long ago as the late-1960s. The motivations at that time, as later, were a mixture of the political and the economic. For some pro-integrationists, monetary union was to be valued politically as a
considerable advance in the unity of the continent (or at least that part of it then in the six-member Community). But a potential economic case also existed: again, as later, there was a desire to secure monetary stability within a group of nations that were increasingly intertwined economically (Urwin 1995:154-157; Gros and Thygesen 1992; Crawford 1996: 13-23).

This earlier manifestation of EMU went well beyond mere discussion. A formal plan for achieving the goal was also laid out. The Werner Report, issued in 1971,\(^5\) both defined EMU and stated how it might be achieved. As regards definition, EMU was said to be composed of three basic elements: a single market, with the free trading of goods and services within it; coordination of economic policies; and irrevocably fixed national exchange rates, possibly giving way in time to a single currency. As far as achieving EMU went, the plan set out by the report envisaged completion of the process, at least as far as the irrevocable fixing of the value of currency values, by 1980.

The Werner Report was more than seriously considered by the 6 national governments. Its main conclusions were fully endorsed: monetary union appeared on the move at the beginning of the 1970s. But it very soon became apparent that progress would be more difficult than the plan suggested. The monetary instability that swept the world in the early 1970s destroyed the neat Werner timetable. Indeed, such was the disparate nature of the policy responses by European governments to the crisis that by the mid-1970s,

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\(^5\)The report was named after the Chair of the committee charged to produce the report, the then Luxembourg Prime Minister Pierre Werner.
monetary cooperation had declined rather than advanced, and monetary union looked further away than ever (Urwin 1995:157-161).

The pieces only began to be tentatively put back together at the end of the decade. The European Monetary System (EMS), which evolved from an initiative by Commission President Roy Jenkins, and was vigorously promoted by French President Valéry Giscard D'Estaing and German Chancellor Helmut Schmidt, offered limited European monetary cooperation, including an Exchange Rate Mechanism (ERM) which promised to restrict and manage currency fluctuations. The EMS began to operate in 1979 - although without British membership of the ERM centerpiece.6

After the high inflation and instability of the 1970s, the 1980s became a decade of lower price rises and smaller currency fluctuations.7 Some of the credit for this performance went to the EMS, and helped contribute to the general renaissance of the Community after the low morale (sometimes termed ‘Euro-pessimism’) of the late-70s and early 80s. Far more important to this renewal of optimism in the EU, however, was the successful agreement and ratification of the SEA. By promising to boost European prosperity through the completion of the single market, as well as introducing much-needed institutional

6Greece did not join the ERM when it was founded, and remained outside the system throughout the 1980s and during the period of the Maastricht negotiations. Portugal, similarly, did not join the ERM until April 1992, after the signing of the TEU.

7This was particularly the case after the dramatic ‘U-turn’ in French government policy that occurred in 1983, when the Socialist President Mitterrand, having witnessed an expansionary policy produce high inflation and also disinvestment by large quantities of capital, began to follow a new policy line of lower public spending and defence of the value of the French currency.
reforms of the EU to make decision-making easier, the agreement seemed to show that the EU could, after all, be effective and contribute to solving important problems facing the member states.

Through generating this renewed faith in the EU - by the late 1980s, some were talking of 'Euro-phoria' instead of 'Euro-pessimism' - the SEA made the serious consideration of further steps forward, like monetary union, politically feasible (Sandholtz 1993:19-23). It also made some more specific contributions: by enhancing the degree of economic union, the potential economic case for EMU was made much stronger. And it conveyed on Delors, who as the new Commission President in 1985 had presented the proposals that had led to the SEA, a credibility such that any future proposals coming from him might be considered seriously by the national governments (Ross 1995).

In fact, signs of a rejuvenated interest in the topic of monetary union were evident even as the negotiations on the SEA were nearing completion. Some of these early rumblings were from emergent transnational pressure groups: the former national leaders

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8In particular, the SEA approved of the use of Qualified Majority Voting (QMV) for most measures relating to the implementation of the single market initiative. This meant removing the power of national government veto over these areas, and allowing their passage in the Council of Ministers by approximately a five-sevenths majority under a system of voting where large countries got rather more voting power (10 votes for Germany, Italy, France and Britain) than the smaller ones (2 votes for Luxembourg, 3 for Ireland and Denmark).

9Specifically, many have argued that the SEA represented a Community response to the slower growth of the European economies in the early 1980s than those of the USA and, more particularly, Japan. This economic sluggishness, or 'Euro-sclerosis' as it has been termed, was something that the single market initiative was intended to address (Sandholtz and Zysman 1989; Moravcsik 1991).

10Delors' prestige had also been boosted by his overseeing a major, long-term agreement on the Community budget. The deal, which became known as 'Delors I' (to be succeeded several years later by Delors II'), managed to balance the disparate interests of states like the UK, which had long sought to limit its net payments into the fund, and some of the poorer member countries - including Greece, Ireland, Spain and Portugal - that sought regional aid funding in order to develop their economies (Laffan and Shackleton 1996: 79-81).
Schmidt and Giscard D'Estaing set up the Committee for the Monetary Union of Europe (CMUE) in 1986, bringing together a membership of individual politicians, central and private bankers, academics and others. An Association for Monetary Union in Europe (AMUE) was also founded the following year, with an organizational membership including some leading industrial companies. Without support from some of those in national governments, the arguments of such groups might have remained on the margins of the political agenda. But such support did begin to emerge. “In the early months of 1987 the debate on EMU and the set-up of a European central bank got underway through initiatives of the governments of France, Italy and Germany” (Gros and Thygssen 1992:311).

Why was the failed policy objective of the 1970s now once more beginning to attract interest at the highest levels? Some of this interest represented, to use the terminology of Ernst Haas (1968), the ‘spillovers’ of the SEA success. In addition to generating increased enthusiasm for measures of European cooperation, and the enhancement of the economic unity of the continent, the single market program entailed the abandonment of controls on capital flows between EU states. This would, in time, make managing the ERM more difficult,\textsuperscript{11} while generating yet further interdependencies in monetary policy (Corbett 1993:3). Thus, as Haas had long-since pointed out, one measure of integration could, in several different respects, make further measures appear more desirable.

In addition to this, however, there were some fundamental problems with the functioning of the ERM itself. Although it had proven successful in bringing down inflation

\textsuperscript{11}The proof of this statement might be seen to be presented by the currency instabilities that emerged in Europe in 1992 and 1993, that caused some countries, including the UK, to drop out of the ERM system, and those remaining to alter its operation by widening the permitted bands of fluctuation of currencies.
rates and fluctuations in currency values, the system was widely regarded as leaving the
effective power over European monetary policy almost solely in the hands of those
controlling the strongest currency in the ERM, the German D-Mark. Thus, "[t]he main
source of interest in monetary union for many EC countries was the asymmetrical nature of
the EMS". In particular:

[t]his was a sore point for France, which had been forced to bow to German
monetary priorities and abandon expansionary economic policies in the early
1980s to stay within the ERM. From this moment a key goal of the French
government had been to undermine German monetary hegemony through the
transfer of Bundesbank authority to European institutions" (Baun 1996:25;

After a further re-alignment of ERM parities proved necessary in 1987, Edouard
Balladur, French Finance Minister, put forward a memorandum to his fellow European
ministers advocating monetary union of some sort as a necessary response to the damaging
pressure that countries faced from the currency markets. Balladur argued that the "rapid
pursuit of the monetary construction of Europe is the only possible solution" (Jan 8th 1988;
cited in Gros and Thygssen 1992:312). The Balladur initiative was followed by a similar
memo from the Italian Treasury minister (Gulio Amato), in which the Italian argued that by
imposing on the weaker currency states the requirement to maintain their parity against the
stronger, often through such measures as raising interest rates, the EMS lacked any 'engine
for growth' (Feb 23rd, 1988).

One might well expect, with other countries' ministers railing against German
domination of the EMS, and advocating monetary union as a way out of this situation, that
a negative reaction from the German authorities would have been provoked. This was not,
however, to be the case. The role of the then German Foreign Minister, Hans-Dietrich Genscher, has been argued by some scholars (eg. Gros and Thygessen 1992) as having been particularly important in shaping the positive early response of his country’s government. Genscher’s memo ‘A European Currency Area and a European Central Bank’, made an explicit link between the agreed single market initiative and the feasibility of a single currency. Interestingly, as regards the means towards reaching monetary union, Genscher argued that:

> among possible alternatives [to a single currency] the use of the ecu *first as parallel and later as common currency* should have the best prospects of realization (Genscher, quoted in Gros and Thygesen 1992:314. Emphasis added).

The latter point is particularly noteworthy, because this ‘parallel currency’ approach to monetary union was also the option initially preferred by other influential voices, including the CMUE (Gros and Thygesen 1992). This approach was to become highly controversial later on, most specifically in relation to its endorsement by the UK government in its own ‘hard-ecu’ plan. For now, it is worth observing that the parallel currency approach had much initial - and presumably greater potential - support.

The Commission President began to take a serious hand in developments at the biannual European Council summit meeting at Hanover in June 1988. Delors had long favored monetary union: indeed, his very first speech to the European Parliament as Commission President had mentioned the subject. But in 1985 a single currency was not regarded as a serious possibility even by Delors. Three years later, and with the momentum
of previous successes behind him, Delors now sought to push forward with the next steps in his agenda to unite Europe: these were EMU; a greater social dimension for the Community to go with the single market; more ‘cohesion’ funds to compensate potential losers from closer economic union; and further measures of ‘state building’ at the European level, including a common foreign policy and stronger central EU institutions (Ross 1995).

On monetary matters, however, Delors, as a former finance minister of France, had particular knowledge and credibility. Thus, at Hanover, he not only sought and won the support of the national governments for a feasibility study to be conducted into EMU, but also managed to have himself appointed as chair of the investigative committee charged with producing the report!12 Nor was Delors simply a titular head of the Committee: quite the contrary. “EMU, more than everything else, was Delors’ baby... ‘The President’s in charge of everything...’ Joly [Dixon, a Delors cabinet member] noted, ‘but he’s completely in charge of this... basically he writes almost every word of the documents that count’ ” (Ross 1995:80).

George Ross, acting as a participant observer during some of the crucial stages of the Maastricht negotiations, reports Delors’ goals in the committee as being that:

politicians would be kept at arm’s length until the bankers had formed their own opinions. Delors had managed from the outset to put his hands on all the EMU levers which mattered. In the critical preparatory phrases in 1988

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12 The remainder of the Delors Committee’s membership comprised the 12 governors of the national central banks of the members states (although serving, officially, as private individuals with interest and expertise in this area, not as national representatives), and one other member of the Commission and 3 academic experts. According to Cameron, the UK was willing to accept such a committee because they believed that the British and German governors, Robin Leigh-Pemberton and Karl-Otto Poehl respectively, would stand in the way of a pro-EMU report (Cameron 1995:51; see also Lawson 1992). Unfortunately for Mrs Thatcher, this belief proved to be mistaken.
and 1989, he, Joly, and a small number of others quietly supervised the construction of the new EMU proposal. The hard work was done in Brussels (Ross 1995:81).

A total of eight meetings of the committee took place from September 1988 through April 1989, when their report was published. By this time, the Commission President had been able to win some initial sceptics on the Committee around to his way of thinking. "Even the Bundesbank’s Karl-Otto Pohl, a critical player, had moved closer to Delors’ positions and the governors, including the Governor of the Bank of England, were fully on side for a Delorist report". Where the basic direction came from, however, seems clear: "Delors corrected all the sentences... there wasn’t a phrase in the final paper which he didn’t author" (Ross 1995:82).

As far as its content was concerned, the Report outlined a basic economic case for EMU, linking it to the success of the single market:

The success of the internal market hinges to a decisive extent on a much closer coordination of national economic policies... this implies that in essence a number of the steps towards economic and monetary union will already have to be taken in the course of establishing a single market in Europe (Delors Report, paragraph 14).

However, the Report spent little time developing arguments in favor of EMU (Fratianni and Von Hagen 1992:191-94). As one Committee member has subsequently put it, the report "did not pretend to give a proper cost-benefit analysis of economic and monetary union, but chose the logical...route of regarding this objective as given by its mandate from the Hanover summit" (Thygesen 1989:638). The bulk of the Report was concerned, therefore, with laying out principles that should underlie any such union, and proposals for how it might be
reached. The four basic principles suggested were the following. First, and perhaps a recommendation made with the fate of the Werner Report in mind, it was argued that a decision to move to EMU should be the subject of a formal treaty commitment by the member states, such was the importance of the matter.

Second, the Committee argued that while a gradualist strategy, with the states proceeding in distinct stages to EMU, should be adopted, union should ultimately be viewed as a single process - embarking on stage 1 should commit one to stage 3 (the final stage). Third, it was suggested that progress on economic union and monetary union should proceed in parallel: “Economic union and monetary union form two integral parts of a single whole and would therefore have to be implemented in parallel” (Delors report, paragraph 21, emphasis in original). Fourth, and finally, full EMU was argued to imply at least some constraints on the fiscal policies of member state governments: taxation and spending decisions within EMU would have to take at least partial account of their implications for the Union as a whole (Gros and Thygssen 1992:320-322; Fratianni and von Hagen 1992).

As far as more specific proposals were concerned, the Delors report outlined a three-stage plan for a movement towards EMU. Stage one was to include the complete abolition of all exchange and capital controls within the Community (something already promised in the SEA), as well as the full membership of all EU states in the EMS. Stage two was to involve the establishment of some cooperative institutions at the European level, and the readying of all member state economies for monetary union by preparing them to meet

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13 This element of the report might be interpreted as an attempt to avoid the debates that plagued earlier discussions of monetary union, with some arguing that substantial economic convergence had to exist before monetary union could be contemplated, and others arguing that monetary union could happen first, bringing some measures of economic union in its wake.
certain minimum standards of economic stability. The third stage would involve the final move to full monetary union.

This latter stage is in many ways the most interesting, for the report set out some concrete ideas regarding both how monetary union should be finally achieved and how it should be managed once in place. As regards the latter, the Committee agreed not only that EMU would require the creation of a new monetary institution at the European level, but also that "it should be independent of instructions from national governments and Community authorities" (Delors report, paragraph 32). This would place it in a similar constitutional position as, among others, the German Bundesbank, which had used its independence to win a formidable reputation for rigorous economic management. According to one committee member, "The reason for such as emphasis is, of course, that price stability was thought necessary in order to assure a maximum of continuity with the more successful features of the present EMS" (Thygesen 1989:641). More practically, as Corbett comments, "[t]he Germans simply would not even consider a European Central Bank with less stringent rules than those of the Bundesbank and therefore these conditions were included from the very beginning" (1993:4).

Just as significant, however, was that the Report flatly rejected the notion that the best way towards monetary union was the use of the existing EU unit of account, the 'ecu' as a parallel currency en route to a single currency.¹⁴ This was not because the idea of a single currency itself was turned down. Quite the contrary. While identifying two key elements to

¹⁴The ecu, in use since the end of the 1970s, was established as a 'basket' currency: i.e. it was comprised of a weighted average of the currencies of the Community states. The weighting meant that the currency of the largest economy, the German D-Mark, had the greatest share in the basket; currencies from smaller economies had a much lesser weighting.
monetary union - capital freedom and fixed exchange rates - the report suggested that a move beyond fixed exchange rates to a single currency "would be a natural and desirable extension of monetary union, since it would demonstrate that the locking of parities was indeed irreversible" (Thygesen 1989:638-39). The rejection of the parallel currency approach was based on a double reasoning:

first, because an additional source of money creation without a precise linkage to economic activity could jeopardize price stability; and secondly, because the addition of a new currency could further complicate the already difficult task of coordinating national monetary policies (Thygesen 1989:645).

Although not universally welcomed, even by those generally enthusiastic about integration, the Delors Report was to be highly successful in framing the terms of subsequent debate on EMU. Its strategy for achieving EMU quickly won widespread support from the majority of the national governments. The British government emerged as the only one willing to adopt a fundamentally different position, questioning both the desirability of EMU, and the proposed means of reaching it; although many in Germany, not surprisingly given the strong position their country already occupied in the EMS, appeared ambivalent

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15 A similar argument, made elsewhere, is that the only economic reason to persist with separate national currencies would be if there was some likelihood, in the future of altering the exchange rate. Thus, the maintenance of separate currencies might interject a degree of uncertainty with financial markets as to whether the currencies were indeed irrevocably fixed in value relative to each other. Indeed, as has often happened in the financial markets such expectations might become self-fulfilling; the belief that a currency might be devalued could cause currency speculators to sell their holdings of it, thus causing the very decline in the value of the currency which was feared.

16 In particular, the report was described as 'badly flawed' by the (normally pro-integration) Economist, for arguing that economic convergence - including some degree of commonality in things like national taxation policies - would be necessary in order to make EMU viable in the long term, something which the newspaper regarded as unnecessary (22nd April 1989, p.16-17).
about the developing momentum behind EMU. In particular, although its governor had been a signatory to the Delors report, the Bundesbank remained suspicious about what EMU might mean to monetary stability in Europe (Baun 1996:60). Nonetheless, the Madrid European Council summit in June 1989 endorsed the Delors plan, agreeing to establish an Intergovernmental Conference on the subject of EMU, to begin at the end of 1990. What exactly the endorsement of the report meant was unclear: the British were willing to accept it as a ‘contribution to debate’ (with Thatcher entering severe reservations about what the proposed stages 2 and 3), but unanimity was achieved among the governments on setting July 1st 1990 as the starting date for stage 1. Delors, himself, however, apparently recognized the significance of this early victory:

The British insisted upon hedging any future agreement but the EMU process based on the Delors Report would go ahead. Everyone knew the British would eventually oppose EMU, but later was better, since they would almost certainly be more isolated later than at Madrid’ (Ross 1995:82-83. Emphasis added).

At Madrid, the governments also appointed the Guigou committee to look into procedures for economic policy convergence. Gros and Thygssen suggest that it did little more than confirm main questions which the Delors report had identified; its wider importance is that it signified that the approach set out by the Delors report had won general acceptance as the basis for future negotiations:

The momentum to implement the [Delors] Report built up in the first eighteen months after its publication. The political support for the EMU process proved initially to be stronger than the authors of the Delors Report, including the President of the European Commission, could have anticipated (Gros and Thygssen 1992:324).
The main attempts to counter this momentum came from the UK government. These efforts took several forms. From Mrs Thatcher came periodic questioning of the desirability of EMU at all, and the economic and political implications of union. From her other Ministers, however, there was often a rather different line. In November 1989, Chancellor Nigel Lawson circulated a counter-proposal to the Delors Report. This suggested a radical evolutionary approach to monetary union through the mechanism of ‘competing currencies’. The idea was that all national currencies should become legal tender throughout the Community: thus ‘good money would drive out bad’, and a single currency might emerge if market forces created a demand for it. This plan, however, won minimal support from the national governments: indeed, it was widely seen as fanciful, and may even have strengthened the Delorist agenda by its very lack of credibility.\(^{17}\)

The following June an alternative plan was presented by Lawson’s successor, John Major.\(^{18}\) This ‘hard-ecu’ scheme was potentially far more credible, as it built on the parallel currency notion that had earlier been supported by many other significant actors. The basic notion was to replace the existing ecu (which was a weighted average of the different EU national currencies) with the new ‘hard ecu’, that would never be devalued within the EMS against other currencies.

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\(^{17}\)The Lawson plan was generally seen as, at best, a recipe for confusion among the public and business, and at worst, a means either of ensuring that monetary union didn’t happen or - if market forces did work - introducing monetary union on the basis of German domination, as the German D-Mark would surely prove the strongest currency.

\(^{18}\)Lawson had resigned over increasing policy differences with Thatcher (including on British membership of the ERM) in November 1989.
As such the hard ecu would compete in the market against national currencies, allowing economic actors...the choice of which currency to hold and use. If a European monetary and currency union was to eventually emerge, then this would be the result of market forces rather than a conscious decision by EC governments to create one. The British hard ecu plan was greeted with considerable derision by other national governments, however, and failed to stop the movement toward EMU negotiations on the basis of the Delors Plan (Baun 1996:48).

The failure of the ‘hard-Ecu’ plan is less easily explicable than that of the Lawson plan, if only because of the wider potential support the idea appeared to possess. In addition to earlier enthusiasm for a parallel currency approach, in late August 1990, the Spanish finance Minister (Carlos Solchaga) had produced a plan quite similar to that of the UK: “Solchaga’s plan would allow weaker countries to retain their own currencies and monetary policies and thus a greater capacity to manipulate their economies to promote growth and competitiveness. As was the case with the British plan, however, this scheme was rejected by other EC countries” (Baun 1996:72; see also The Economist, Sept 15 1990:61-62). There were potential economic objections to the hard-Ecu plan;19 but probably more important was the manner in which the British government, or more specifically its leader, mishandled the situation. Mrs Thatcher did little to hide her distaste for the whole notion of monetary union, and undermined the entire logic of the hard-Ecu plan when she stated to the House of Commons (30th October 1990) that she did not believe that such a parallel currency would be widely used. George observes that “[w]hat was intended [at least by Major and Hurd, as

19Most particularly, it seemed quite unlikely that the hard-ecu would actually provide a route to a single currency purely by market forces alone. An ecu as strong as the strongest currency within the EMS would only be likely to become attractive to hold in the event of severe currency instabilities that could affect all other currencies, even traditionally stable ones. In addition, there would be the problem that the costs and/or inconveniences of changing to it would make it unlikely to replace national currencies entirely.
well as many in their respective Departments] to be a genuine and serious contribution to the
debate was made to look like a British wrecking tactic” (George 1997:104).30

While the British government was thus failing to produce a credible counter-agenda
to that established by Delors, other actors more favorable to EMU continued to keep up the
pressure. The EP, through three ‘Herman Reports’ (respectively attempting to set out the
EP’s view on the principles at stake with EMU, its own detailed proposals, and then these
proposals transformed into legal form), supported the main thrust of the Delors report, and
the emerging momentum behind EMU. In addition, “The EP, and later the Commission,
made studies estimating the cost to the European economy of maintaining separate currencies
at 30bn ECU per year (transaction costs, hedging costs against exchange rate changes,
maintenance of separate reserves and reliance on the dollar for pricing in the (sic)
international trade” (Corbett 1993:3). The long-standing Monetary Committee (composed
of national deputy finance ministers and deputy central bank governors) also continued to
refine the debate - in particular, in their report presented to the ECOFIN Council21 at Ashford
Castle, Ireland, in March 1990 - in the direction of an independent central bank as being a
crucial element of EMU. But they were doing so on the increasingly widely-recognized basis
that the Delors report formed the centerpiece of the debate (Cameron 1995).

20It was certainly becoming very difficult to square Mrs Thatcher’s obvious antipathy to the idea of
monetary union with the positive tone which the British Foreign Office and Treasury sought to strike with
the hard-ecu plan. A Treasury paper on the plan had claimed that “It is both desirable and encouraging that
the debate in Europe is turning towards the practicalities of integration. It is especially in this context that
the UK proposals have their importance” (Grice 1990). This stance, however, lacked credibility when the
British Prime Minister continued to make clear that she did not really view the hard-Ecu in such terms at
all.

21ECOFIN is the name given to the regular meetings of national finance ministers and national central
bank governors.
Just how far things had moved away from the minimalist agenda of the British government became evident at the October 1990 special European Council in Rome. The other eleven national governments (with Thatcher, at what was to prove her last European Council, very publicly dissenting\(^{22}\)) agreed to start stage 2 of EMU on 1\(^{st}\) January 1994. Thus, the Delors plan had already won wide agreement as constituting the basis for the achievement of monetary union before the IGC was even formally underway.

The summit also decided that a European monetary institution would be established at the beginning of stage two and that stage three would begin within three years of the launching of the second phase. These decisions left numerous important questions unanswered... Nevertheless, the general parameters of an EMU treaty had now been set. Most important, there were now fairly firm dates for the future stages of EMU (Baun 1996:52; see also Corbett 1993:13; Sandholtz: 1993:15-17).

For Ross, it was the publication of a Commission 'Draft Treaty' on EMU, on the eve of the IGC in December 1990, which “demonstrated how completely the team around Joly [Dixon] and Delors dominated preparations for the IGC... it would serve as the centerpiece for negotiation among member states” (Ross 1995:84). For the Commission, considerable success had been achieved at this agenda-setting, or pre-bargaining stage. The British government had been much less able to win support for its minimalist agenda. Ultimately, “the UK was unsuccessful in persuading the others that monetary union meant anything less than the establishment of a single currency” (Corbett 1993:12). Furthermore, to close

\(^{22}\)Mrs Thatcher had inserted into the final communique the statement that “The United Kingdom, while ready to move beyond Stage 1 through the creation of a new monetary institution and a common Community currency, believes that decisions on the substance of that move should precede decisions on its timing”. The British Prime Minister’s own assessment of her negotiating position by that time is stark - “They were not interested in compromise. My objections were heard in stony silence. I now had no support. I just had to say no” (Thatcher 1993:767).
observers, as formal negotiations got under way, "[t]his growing consensus among the 11 on fundamental principles of EMU made the UK's isolation more and more apparent" (Corbett 1993:13).

_Bargaining at the IGC:_ Immediately prior to the formal beginning of the bargaining process at the IGC, one element of the picture was abruptly changed. Margaret Thatcher, after over eleven years as British Prime Minister, was forced to resign in November 1990. The origins of her resignation lay at least partly in EU matters. There were other significant factors as well - her deteriorating relations with many of her cabinet colleagues, the decline in her personal popularity and her identification with unpopular policies like the widely-hated 'poll tax', and the downturn in the British economy, being among the most prominent. But Thatcher's increasingly antagonistic attitude to the Community provided at least the immediate catalyst, by provoking the resignation of her hitherto-loyal deputy, Sir Geoffrey Howe, and Howe's resignation speech in the House of Commons, which was a devastating critique of her handling of European policy.23

23Sir Geoffrey had commented on his long-time colleague that, "she seems sometimes to look out upon a continent that is positively teeming with ill-intentioned people, scheming, in her own words, to 'dissolve our national identities', to lead us 'through the back door to a federal Europe'". Later, he argued that:

[we have done best when we have seen the Community not as a static entity to be resisted and contained, but as an active process which we can shape, often decisively, provided we allow ourselves to be fully engaged with it, with confidence, with enthusiasm, and in good faith... We commit a serious error if we think always in terms of 'surrendering' sovereignty, and seek to stand pat for all time on a given deal, by proclaiming, as the Prime Minister did two weeks ago, that we have 'surrendered enough' (Howe, House of Commons, November 13th 1990).
When the dust had cleared around the Conservative party, John Major had emerged as the new party leader and Prime Minister. While he showed little sign of changing the fundamental stance of the UK on the sort of EU which was aspired to, Major did appear more eager to strike a balance between his party’s growing ‘Euro-skeptic’ wing, which Thatcher had become increasingly identified with, and those members with a much more positive vision of British membership of the Community. Major also evinced a desire to mend relations with the UK’s European partners: his first major foreign speech was delivered in Germany, and saw the new Prime Minister expressing his wish “to see Britain where it belongs: at the very heart of Europe”. Yet it was unclear how, if at all, these more positive noises would allow the UK to alter the direction of negotiations on issues like the single currency.

The UK’s problem at the beginning of the IGC (and Major’s Premiership) is succinctly expressed by Baun:

The EMU conference began with the broad outlines of a treaty already in place. These were contained in a draft treaty produced by the commission in December that was based on the decision of the October EC summit. It called for a three-stage EMU process according to a fairly set timetable... The institutional structure of the [European Central Bank] ECB had also, by this point, largely been agreed on. In most respects this bank would closely

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24The leadership contest involved an election among all Conservative MPs, and went through two ballots. On the first, the votes were: Mrs Thatcher - 204, Michael Heseltine - 152, Abstentions/Spoiled Papers - 16. This gave the Prime Minister an absolute majority, but left her 4 votes shy of the 15% majority which the rules required for victory on the first ballot. She then withdrew, after being persuaded that her support was ebbing away and that she would thus lose in a second ballot. For this second contest, which only required a bare majority for the leading contender to win, the Chancellor John Major and the Foreign Secretary Douglas Hurd, entered the race. The result of this ballot was: Mr Major - 185, Mr Heseltine - 131, Mr Hurd 56. This left Major two votes short of an absolute victory, but he was declared the winner after the other two candidates indicated their support for him.

25Major’s speech was delivered in Bonn, on 11th March 1991.
resemble the German Bundesbank, with independence from government control, a primary mandate to limit inflation, and sole authority over monetary policy (Baun 1996:59).

This prospect was little more appealing to Major than it had been to Thatcher. Early on during the IGC, the British government re-affirmed its opposition to the Delors plan for a single currency. At the very least, “[t]heir hope was to move EMU away from the model set out in the Delors Report” (Ross 1995:85). Essentially, the British stance was no different from that under Thatcher, but Major hoped to avoid isolation by adopting a much more emollient tone than his predecessor (Baun 1996:61). But without the ability to mobilize a large coalition of support behind an alternative agenda, the British government appeared to have little other than its ultimate veto with which to exert leverage during the IGC. From the early stages of the conference, Delors (according to Ross) was already seeking to ‘square the circle’ through the development of an option that would allow the UK to ‘opt-out’ from EMU, but let the other states go ahead on the basis of the agreed agenda (Ross 1995:154). The UK government’s own paper (10th January 1991) continued to advocate the hard-Ecu approach. But this approach was now unable to win support from any other national government, and was dismissed by other key actors: even including Karl-Otto Poehl, the Bundesbank head who remained cautious about EMU.

For the rest of the negotiations the UK, although involved throughout, would be mainly concerned with securing an acceptable ‘opt-out’ clause. France and Germany remained the two big players for the rest of the negotiations...

26 As Artis puts it, “Since the UK government was reluctant to regard its own proposal as a means of producing a common single currency, displaying a marked reluctance to engage in the construction of EMU at all... the parallel currency alternative never progressed very far” (Artis 1992:300).
With the principles of EMU and its three-stages outline already settled by the preceding meetings of the European Council, most of the IGC’s actual work was confined to sorting out the details of how to make EMU work" (Corbett 1993:40-41).

The dominance of the Delors plan in the negotiations did not mean that all issues were settled. At least three major matters remained to be decided: the exact nature of stage 2, probably the least clear aspect of the Delors plan; the conditions which each country would have to meet to join EMU in stage 3; and finally, when the move to stage three would occur, and under what institutional arrangements.

For some countries, as for Delors, the primary goal now appeared to be to reach an agreement that ensured that EMU would go ahead. France was the most visible, but not the only state to appear to want to establish EMU not only as a means to escape German monetary dominance in EMS, but also to ensure that Germany was bound firmly into west European structures. “The main goal for these countries in the conference, therefore, was agreement on a firm timetable for monetary union and an irreversible commitment by Germany to EMU” (Baun 1996:60; see also Sandholtz 1993:16-19). This concern was augmented, however, by the concern of some of the ‘Mediterranean’ EU countries (particularly Spain and Portugal), to ensure that appropriate ‘fiscal transfers’ between rich and poor states might be built in as part of the EMU arrangements.

The German government and its leader Chancellor Kohl was in a somewhat different position. Kohl (somewhat later than Foreign Minister Genscher) had become a firm believer in EMU: not least, in the post-re-unification world, for the political reason of assuaging the
concerns of Germany's partners. However, Kohl was also aware of the strong attachment of the German public to the D-Mark as a symbol of German post-war recovery. Thus,

Bonn was not about to give up monetary sovereignty and the D-mark without ensuring that EMU would take place according to German standards. These included a European central bank that would be modeled on the Bundesbank and a common currency that would be every bit as stable as the D-mark. For Germany, these terms were not negotiable, and they represented a consensus view within the country's political and economic establishment (Baun 1996:60).

In part, this German stance also reflected a balance between more skeptical voices in the Finance Ministry, the German business community and the Bundesbank, against those in the Foreign Ministry who had strong external political reasons to be committed to EMU.²⁷

Nonetheless, the indispensability of Germany to EMU (unlike the UK), left its negotiators in a strong bargaining position to ensure that the arrangements for stages 2 and 3 were close to their preferences. Among those elements the German government was insistent upon was that the European Central Bank (ECB) should only emerge, with substantial powers over monetary policy, at stage 3 during the final movement towards the establishment of the single currency. Some had wanted the ECB to be set up fairly early in stage 2, in order to allow for several years' 'training period' before it assumed full monetary responsibilities. The concern of many in Germany, including the Bundesbank, was the potential for confusion in stage 2 between the existing national central banks and a proto-ECB sharing some measure of joint authority over policy with its national counterparts. A

²⁷A Bundesbank paper in December 1990 had re-affirmed their demands for a tough EMU, including full independence from political control for the proposed European Central Bank.
German draft treaty presented to the conference in February called for the establishment of the ECB only at the very end of stage two (Baun 1996:64-65). By the time of the Nordwijk conclave of Foreign Ministers, held just prior to the Maastricht European Council summit that would finalize the treaty, it was clear that the result of the negotiations would be a compromise tilted towards the German position: stage 2 would witness the setting up of a weak European Monetary Institute (EMI) to oversee arrangements for the move to stage 3. The EMI would be a forerunner of the ECB, but would in its original form disappear as stage 3 was begun. The ECB itself, as Delors had proposed and as endorsed by the EU’s Committee of National Central Bankers in the Autumn of 1990, would very much follow the Bundesbank model, of an institution largely independent of political control in its management of monetary policy.

Another matter in which the German government was able to win concessions from its partners was in relation to the conditions for qualification of countries to enter stage 3. The Delors plan had said little about setting qualification conditions, and Delors himself - concerned to have a single currency with as many EU countries inside it as possible - along with some of those member-states with weaker economies (notably Italy) remained opposed to the whole idea, which threatened to create an ‘EMU for the rich’, with the poorer, less stable economies shut out. The danger, however, from the perspective of the Germans, was that allowing weaker economies, without the enviable history enjoyed by Germany and some

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28The EMI was eventually to begin operations in January 1994. Based in Frankfurt, the Institute is entrusted with overseeing the continuing functioning of the EMS, and technical preparations for the eventual completion of monetary union (including the design of the new notes and coins). Some continuity between the EMI and the European Central Bank which will oversee monetary union once it is finally established in January 1999 has recently been assured by the fact that the EMI’s President, the Dutchman Wim Duisenberg, has also been selected to be the first President of the European Central Bank.
others states (such as the Netherlands) of low and stable inflation along with sound government finances, into the EMU area might lead to higher inflation than in the best performing countries, and a single currency that was less strong than the D-Mark.

The German government’s insistence on setting tough entry conditions (or ‘convergence criteria’ as they became known) for EMU was initially supported only by the Luxembourg government (Corbett 1993). Again a compromise was reached, but one which involved other states moving some distance towards the German position. Tough convergence criteria were established on inflation rates and government debt, although with some ambiguity in the language creating scope for later ‘fudging’ of the criteria, with the decision on the final EMU entrants to be made collectively by all EU governments.

A final issue around which debate at the IGC centered was of more immediate concern to the UK government. As stated earlier, the Commission President had been looking since early on in the conference for a means to allow the UK government to agree to the Delorist route to EMU for its partners. It was increasingly clear that the UK government itself would not (indeed, given the strength of the anti-EMU forces in the Conservative party, as well as the preferences of Major and his senior ministers could not) make a commitment to join EMU. On the other hand, with an eye to his more pro-European wing, Major did not wish to reject British membership of EMU for ever. The only likely solution, therefore, was to give the UK some form of ‘opt-out’, in which the British

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Specifically, the final treaty was to agree that inflation rates of qualifying countries should not be more than 1.5% above the average of the three best performing economies; that annual government deficits in the qualifying year should not be more than 3% of GDP; that accumulated government debt for qualifying states should not be more than 60% of GDP; and that qualifiers should have had two years uninterrupted membership in the ERM.
government could reserve judgement until a later date. The form in which this might be
arranged was left until quite late in the conference, by which time the respective positions
of the UK and its partners, and the lack of any possibility of change on either side, had
become apparent. However, the original phrasing of a draft opt-out clause by the Dutch
government was so general that, on the surface at least it seemed to allow other countries the
opportunity of using it - even Germany, which would have subverted the whole purpose of
locking Germany into EMU! The clause was thus re-phrased to ensure that it only applied
to the UK, and was constructed on the basis of, as Ross puts it, ‘no obligation [of the UK to
join the single currency against its will], no veto [of EMU by the UK], and no lock-out [if
the UK later decided to join]’ (Ross 1995:185). 30

The Treaty:

In broad terms, the Treaty amendments may be said to follow the lead set by
the Delors Report... Despite some differences between the Delors Report and
the Treaty amendments, however, what is clear is that the Report succeeded
in shaping the nature of the pre-Maastricht debate and acted as an important
discipline upon the outcome. In this sense, the Treaty flows from the Report

30The UK was not the only one of the 12 member states to secure an ‘opt-out’ clause. While 10 countries
were, in effect, committing themselves to joining EMU once it was up and running and their economies
were ready, Denmark also gained the option to refuse to participate. This option was in fact exercised in
1993, when the treaty was ratified. The exercise of the opt-out was one of the concessions made by the
Danish government towards anti-EU forces in Denmark after the narrow rejection of the treaty in the June
1992 referendum.
In fact, as Artis makes clear, in some sense the treaty went further than the report, in putting
dates on the different stages of the 3-step plan, and fleshing out the ‘convergence criteria’ in
the manner indicated above. Articles 102a-109m of the Maastricht treaty text set out the
EMU commitment entered into by the member states. There was no mention of stage 1 in
the Delors plan, for the simple reason that this had already begun some time earlier. Article
109e stated that stage 2 was to begin on 1st January 1994. The beginning of stage 3 was left
only somewhat open: if a majority of countries were ready, it might start in 1997. But a
French proposal that 1999 should be the final date for moving into stage 3, no matter how
few states were ready, was agreed.

Artis concludes that, “Maastricht... represents the culmination of an unparalleled
effort to think through the implications of monetary union and to strike realistic bargains in
the interests of realizing this goal” (Artis 1992:309). That an agreement could have been
reached, and along the lines which he had first definitively proposed, represented a signal
achievement for Commission President Delors. The final treaty could also be seen, however.
as a victory for some national governments:

In the final analysis, the EMU agreement reached at Maastricht represented
a major victory for those countries concerned about the strength and future
orientations of a united Germany. It was, in particular, a victory for France,
which was desperately searching for ways to tie down and bind its more
powerful neighbor. With Maastricht, France and the other EC countries
basically got what they wanted: a firm German commitment to a seemingly
irreversible process of monetary union... The German government could also
claim victory, however. It was able to ensure that a future European
monetary regime would essentially replicate the German model (Baun
1996:75).
The UK government could claim that its opt-out preserved its freedom of manoeuvre for the future. But in virtually all other respects, it would be difficult to argue that the EMU agreement represented anything other than a defeat for the British vision of the EU, and for the policy options which the UK had tried to advance.

Parliamentary Powers and the ‘Democratic Deficit’

The negotiators in the IGC on EMU could build on the highly professional preparations made by the Delors Committee, with the result that the negotiations went relatively smoothly and outlines of the EMU provisions were ready well before the Maastricht European Council of December 1991. The IGC on Political Union had little but the mandate of the Rome European Council on which to build. Largely, perhaps, as a result, the negotiations were marked by controversy” (Edwards and Pijpers 1997:7-8)

The IGC on EMU had been a fairly well-ordered event, as many of the fundamental issues had essentially been settled before the conference even formally got under way. Not only had the definition of ‘Economic and Monetary Union’ long been agreed, but discussions surrounding how it might be achieved were to center on the one specific plan. with alternative proposals never managing to attain the status of serious alternatives. Things would be rather different for the IGC on Political Union (PU). This conference was only agreed to a full year later than that on EMU, at the June 1990 European Council meeting at Dublin. And it appeared to have a much less clear-cut agenda. For a start, there was no shared understanding of what ‘Political Union’ actually meant, or to what extent it could be achieved in the current conference.
In the event, the PU conference became something of a mixed bag, with an agenda focusing on reforms to the governing European institutions, the creation of a ‘European citizenship’, and the development of an EU Common Foreign and Security Policy (CFSP) to name but three of the major elements. In at least one respect, however, this IGC bore a striking resemblance to its simultaneously-functioning twin. It pitted a British government attached to a vision of limited European cooperation dominated by national governments, and thus with a distinctly minimalist set of preferences against those with ideals of building some sort of federalist structure at the European level. And, again as in the EMU negotiations, the UK government had to balance domestic factions viscerally opposed to any signs of the surrender of British sovereignty with other elements at home more strongly concerned to maintain positive British relations with the rest of the EU.

The analysis to follow does not examine the entire scope of the diverse PU conference. Rather, the focus will be more specific, directed at considering the long-running issue of the powers that should be possessed by the EU’s only directly-elected governing institution, the European Parliament (EP).

*Pre-Bargaining:* The EP had begun its life as the Common Assembly of the EU’s forerunner, the European Coal and Steel Community, established in 1952. The Common Assembly was not originally elected, but rather consisted of national parliamentarians from each Community state, delegated to serve a few weeks a year in the Assembly. The absence of elections or full-time members could be readily defended by the almost complete absence of powers to be wielded by the Assembly. Except for the extreme (and therefore virtually
unused) power of dismissing the entire High Authority (the equivalent of today’s European Commission) for the equivalent of ‘high crimes and misdemeanors’, the Assembly could do little but discuss policy. It had no powers to make the conclusions of these discussions binding on either the High Authority or the national governments.

Over the last 25 years or so, however, this situation has altered. In the early 1970s, the Parliament (as it had been termed since 1962) gained some significant powers over the EU’s budget. Then, in 1979, after much pressure it won the right for members to be directly elected. This opened the way to the development of a cohort of full-time EP members (MEPs), with a democratic mandate to back any demands for further authority (Cotta 1984). Such demands were not slow in arriving. In particular, MEPs continued to press the argument that the EU suffered from a pervasive ‘democratic deficit’, due to the fact that most policy-making went on in secret, and was conducted by people who had never been elected to European office. The solution, they suggested, was to transfer more powers over law-making and other matters to the Community’s democratically-elected parliament (Westlake 1994:28-31).

The EP’s ambitions were seen most clearly in the Draft Treaty on European Union, which it passed by an overwhelming majority in 1984. The Draft Treaty, championed by the veteran Italian Euro-federalist Altiero Spinelli, called for greater parliamentary powers.

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31Parliamentary powers over the EU budget were granted in the 1970 Treaty Amending Certain Budgetary Provisions, and the 1975 Treaty Amending Certain Financial Provisions. These treaties gave the EP the ability to propose ‘modifications’ in the EU’s ‘compulsory’ spending (principal that on agriculture) as well as amendments on non-compulsory spending, and even to reject the proposed budget outright. These rights were further strengthened in practice by the 1988 Interinstitutional Agreement on Budgetary Discipline and Improvement of the Budgetary Procedure. For further discussion, see Nugent (1994:180-182, 347-360).
including full 'co-decision' rights with the national governments on EU legislation, as part of a wider move towards a federal European political system. Until that point, all EU laws (other than Commission legislation\textsuperscript{32}) were processed via a legislative procedure known as 'consultation'. Under this procedure, after the Commission proposed an item of legislation, the EP was entitled to offer its opinion (ie. to be consulted) before the representatives of the national governments in the Council of Ministers came to a final decision on it. The Council could approve the Commission version by a qualified majority (roughly five-sevenths of the weighted votes in the Council), but could only amend it by unanimity.\textsuperscript{33}

The requirement that parliament's opinion be received before legislation passed was made explicit in the 1980 Isoglucose ruling of the Court of Justice, which stated that "consultation of the Parliament in the cases provided for by the Treaty therefore constitutes an essential formality, disregard of which means that the measure concerned is void".\textsuperscript{34} This gave the EP a delaying power - it could simply refuse indefinitely to offer its opinion - which with skillful use was potentially more than trivial. It could delay offering its opinion until the Commission agreed to modify its proposals in line with the EP's wishes. Nugent indicates

\textsuperscript{32}While virtually all major European laws require endorsement by the Council of Ministers, the Commission also has the ability to issue laws on its own initiative. The vast majority of these are very narrow, technical items; nonetheless, in terms if sheer quantity, they form the bulk of EU law (Nugent 1994:103-104).

\textsuperscript{33}Qualified Majority Voting (QMV) weights country's voting power somewhat according to their size. Thus, the largest countries in the EU (Germany, France, the UK and Italy) receive 10 votes, while the smallest, Luxembourg, has 2. QMV rules operated except for certain matters of legislation on which unanimous agreement was legally required. At present (ie. after the ratification of the TEU) citizenship policy, transport matters, environmental policy and indirect taxation have a formal unanimity requirement. Moreover, prior to the SEA, legislation was also frequently subject to the "Luxembourg compromise" - the agreement, reached in 1966, that a country could halt any measure if an issue of "vital national interest" was at stake (Urwin 1991:113-115).

that this power has, in fact, been employed on several occasions (1994:176), while Corbett et al document an example of the Commission changing a proposal (on the issue of economic and monetary union) in the face of a threatened Parliamentary delay (1995:193). However, the EP's ability to exploit this power to its fullest has been limited in practice, as Smith notes, by the fact that, "MEPs are generally in favour of further integration and do not want to be seen as putting a brake on Community legislation" (Smith 1995:83). Furthermore, a recent judgement of the Court of Justice has stated that indefinite delay is not a legitimate Parliamentary tactic on legislation designated as 'urgent' by the Council (Corbett 1996:39-40). But the more general point is that under the consultation procedure the EP had no formal means other than delay to influence legislation. To exert further influence required persuasion of the Commission or national governments in the Council. Even if it had contained the most skilled of political minds, these institutional constraints would thus probably have rendered the parliament a fairly marginal actor in EU law-making (Earnshaw and Judge 1996).

The draft treaty failed to win the active support of the national governments, and in terms of EP powers, the SEA offered only minimal return on its ambitious agenda. In addition to the much-vaunted Single Market initiative, the Act also introduced a number of institutional innovations. The legislative arena became more complex. Consultation was retained for the majority of bills, but two new procedures were introduced for some legislation. For most items relating to the Single Market (totalling around one-third of legislation at the time), the 'cooperation' procedure was to be used. While the Commission retained its monopoly of proposal, and the EP still had the potential to delay legislation, other
aspects of this procedure differed from consultation. Legislation now proceeded through two readings. The first was similar to consultation except that the Council's decision now constituted only a 'common position' from which legislative bargaining between the institutions could continue, rather than the final outcome. In a second reading, this common position was re-considered by the EP, which could approve it (in which case it became law), propose amendments (which, if approved by the Commission, could be overturned only by a unanimous Council but could be accepted by a qualified majority of member states), or reject the common position (in which case the legislation would fail unless the common position was re-affirmed unanimously in Council).  

While this was not what it had asked for in the draft treaty, cooperation was a decisive step forward for the Parliament as a legislative actor, allowing it on many occasions to significantly influence important legislation. Indeed, the parliament found itself able to exert greater influence than many had originally thought would be possible under the procedure (Corbett 1989). A study of parliamentary amendments from 1987-93 found that of over 4000 amendments proposed by the EP, getting on for two-thirds won approval from the Commission, and over half were eventually accepted and passed into law by the Council of Ministers. The SEA also introduced the 'assent' procedure, in which the EP had no

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35 One additional factor of note is that if the EP wished to amend or reject the legislation in second reading, then it had to do so by a vote supported by an absolute majority of its membership. This 'majority requirement' did not apply if the Parliament simply wished to approve the law. A similar requirement was imposed for the assent procedure, and is also in place for the second and third readings on co-decision matters. The 1997 Amsterdam Treaty did not recommend any changes to this provision.

36 To be precise, up to the end of December 1993, on the 332 legislative proposals that had completed their two readings in the cooperation procedure, the EP had proposed a total of 4572 first reading amendments. Of these, 2499 (or 54.7%) were accepted by the Commission, and 1966 (43.0%) by the Council of Ministers. In second reading, the EP had put forward 1074 amendments, with 475 (44.2%) being accepted by the Commission, and 253 (23.6%) by the Council. However, these raw percentages
delay or amendment ability, but did get a straight approval/disapproval power over a small number of laws. These could not then enter into law without the positive endorsement of the EP.

While cooperation and assent clearly represented advances for the parliament, both their form and their restricted scope fell far short of the ‘full co-decision powers’ that the Draft Treaty had called for. Subsequent to the Single Act, the EP followed essentially a dual strategy. The first element of this approach was to make the innovations of the SEA work: to demonstrate that the EP could be trusted by the national governments to wield influence.

The operation of the cooperation procedure provided Parliament with the opportunity to revise its internal rules both to maximize its legislative impact, and also to demonstrate its wider legislative ‘responsibility’. In this sense it was clearly a transitional procedure allowing for institutional experimentation need to be adjusted to allow for the fact that the EP only puts forward second reading amendments, “to restore the Parliament’s first reading position, [that] were the result of a compromise agreement between the Council and the Parliament, or sought to amend a part of the common position which differed substantially from the text on which the Parliament had originally been consulted” (Westlake 1994:141). Therefore, the overall EP ‘strike rate’ is a little higher than the raw numbers suggest. Attempts to explain the success of the EP under cooperation have varied both in their manner and (somewhat) in their conclusions. Tsebelis (1994a, 1995) grounds his analysis in a spatial model of legislative bargaining, and the argument that the second reading procedure presents an opportunity for what he terms ‘conditional agenda-setting’ by parliament. For him, the crucial aspect of cooperation is that it allows the EP to make a ‘take-it-or-leave-it’ offer to the Council of Ministers in the second reading which, provided it is endorsed by the Commission, is easier for the Council to accept than to reject (acceptance requiring only qualified majority approval, but amendment needing unanimity). However, this argument is highly dependent upon quite particular assumptions regarding the nature of legislative bargaining, including Commission support for the EP, and very specific preference orderings on the part of the different national governments. (Moreover, it is difficult to see quite what the EP contributes to legislative bargaining under the conditions assumed by Tsebelis (1994a, 1994b): given its power of legislative proposal, the Commission should have already suggested the outcome that he argues it should later support under the guise of EP amendments (Pollack 1997). For further critiques of Tsebelis’ analysis, see Moser (1996), although also the response by Tsebelis (1996)). More qualitative work by Earnshaw and Judge (1996, 1997) directs greater attention to the earlier stages of the procedure: in particular the parliament’s efforts to shape Commission proposals in the first place, as well as the Council’s common position at the end of the first reading. They share with Tsebelis, however, both the notion that the EP’s influence under cooperation is contingent upon the attitudes of the other governing institutions, yet also the conclusion that the cooperation procedure significantly advanced the potential influence of the EP.
and effectively disarmed many critics of enhanced parliamentary involvement in the EU legislative system (Earnshaw and Judge 1997:561).

The second aspect of the EP’s approach was to keep up the pressure on national governments, and to win as wide a coalition of support as possible for its demands for an enhanced role. The EP’s own Touissant Report in July 1988 continued to talk about a ‘democratic deficit’ existing within the EU, of which the lack of powers for the EP itself was argued to be a major element. Various ideas regarding how this might be combated, as well as a broader agenda for PU, were then brought into the February 1989 Herman report on European Union.36 The EP, meanwhile, had also won increasing support for its demands from many of the national legislatures. The Belgian, Dutch, Italian and Irish parliaments all passed resolutions in the late 1980s stating that the SEA had made insufficient changes to the role of the EP. Italy also held a referendum in June 1989 in conjunction with the EP elections: 89.1% supported a resolution calling for institutional reforms granting the EP a greater role.

Pressure from the parliament continued after the 1989 elections. Following the decision at Madrid to call an IGC on EMU, the Parliament was one of first actors to start actively lobbying for widening of the agenda of the conference to include matters relating to PU as well. Public support for this position began to emerge in early 1990. Having called, in a speech in Bruges on 21st October 1989, for more efficient decision-making to help prepare the EC to cope with the transformed situation in Europe, Delors used a speech to the Parliament on January 17th 1990 to lend his weight to the idea that an IGC on Political Union

36This report is distinct from the series of Herman reports on EMU referred to above.
should be held.\footnote{Interestingly, however, and perhaps concerned to safeguard his achievements in the monetary field in the event that progress proved difficult on political matters, Delors was insistent that the PU conference should be kept formally separate from that on EMU.} A number of national governments were soon also moving to support this idea. Just before the December 1989 Strasbourg European Council summit, Kohl suggested linking PU to EMU for first time (The Times, Dec 7th, 1989). In a press conference on March 30th (held in London jointly with Mrs Thatcher, who cannot have been pleased with what she heard!) he offered more definitive support for the EP and Delors, stating that the goal of the Community should be “the political unification of Europe”. It was increasingly apparent that Kohl regarded some movement on PU matters as at least part of the price that would be needed for Germany to agree to EMU (Baun 1996). Later, on April 19th, Kohl and Francois Mitterrand issued a joint letter to the European Council calling for a second IGC on PU, arguing that it was time “to transfer the whole relationship between member states into European Union and to give it the necessary means to act” (published in Agence Europe, 20 April 1990). As Woolley suggests:

while the issue of political union had been on some agendas for a long time, it emerged only as a serious issue in the context of decisions to proceed with EMU negotiations... Jacques Delors was an important voice for reform, and for a broad conception of the issue to be considered. Others, including the European Parliament and Belgian officials, helped contribute relatively highly detailed programs for reform. However...unless a leader of one of the major countries embraces a proposal, it has little chance of becoming a viable option, and the critical, initial proponent of political union was Helmut Kohl (Woolley 1994:73).

In addition to Kohl, Mitterrand and Delors, support for an IGC on political union matters including the issue of the powers of the European Parliament came from several
other countries, notably Belgium\textsuperscript{38} and Italy\textsuperscript{39}, as well as the Italian, Dutch and Greek parliaments. When formal approval was given by the June 1990 Dublin European Council meeting, this seemed -along with the progress on EMU - part of a general movement in the direction of the views of Delors and others of his ilk:

The bandwagon of union had been steadily gaining momentum to the extent that, as the Community moved into 1991, outside Britain almost everyone - whether enthusiastically for it or fatalistically resigned to it - seemed to have accepted union as a fait accompli and to believe that the European Council meeting in Maastricht planned for December would need only to rubber-stamp the transformation of the EC and its founding treaties (Urwin 1995:243-44).\textsuperscript{40}

Yet while these developments were encouraging for the EP, there was little in the way of an ordered framework for discussion established in the manner that had been achieved for the other IGC. A need existed for specific and well-crafted proposals to be placed on the agenda, in order (as with the Delors report and EMU), to capitalize on this favorable momentum. This need, and the absence of such proposals, was well-appreciated by the Commission:

\footnote{38}Belgium was one of first countries to put forward concrete proposals. A government memo on 21\textsuperscript{st} March 1990 called for stronger EU institutions, including more powers for the EP.

\footnote{40}On 26\textsuperscript{th} June 1990, the Italian government also presented a discussion document calling (among other things) for co-decision powers for the EP on all legislative matters.

\footnote{41}However, while the UK had agreed to the IGC on PU at the Dublin summit, Mrs Thatcher had argued that the proposals put forward thus far were contradictory and would be unacceptable to the UK. She insisted, as she had done in her (in)famous Bruges speech of the previous year, that the EU had to respect the differences between Member States and between national identities. And while she promised that the UK would participate in the conference, it would not agree to a joint foreign and security policy, full co-legislative powers for the EP, or other moves towards a federal European system (Webster 1992; Thatcher 1993).

108
The ‘political union’ issues were at the heart of state building. EMU had been carefully and skillfully prepared, and, perhaps more important, involved a set of issues which fell largely under traditional Community trade-market purview; ‘political union’ had barely been set up at all and it sought to break new Community ground. Through no fault of its own, Delors’ team was thus moving into the central phase of its strategy without sufficient preparation (Ross 1995:90).

The parliament took on the role of attempting to develop at least some of an agenda, primarily through a series of three resolutions known as the Martin Reports (after the rapporteur of the parliamentary Committee on Institutional Affairs, David Martin). As Corbett comments, “in devoting the whole of 1990 to the gradual formulation of specific proposals, and at the same time beginning a dialogue with the other institutions, with national parliaments, at the level of its political groups, with national political parties, the European Parliament was able to formulate much of the preliminary thinking that went into the preparation of the IGCs” (Corbett 1993:15).

The first Martin resolution, passed by the EP on 14th March 1990, called for a broadening of the IGC agenda beyond EMU to EPU issues: notably European foreign policy cooperation, plus social and environmental policy, the development of ‘elements of a common [EU] citizenship’, issues surrounding the EU budget and the Community’s ‘own resources’, as well as institutional reforms to build an effective/democratic institutional system. As regards the last of these issues, Martin I called for the EP to be given the rights of legislative initiative (breaking the Commission’s traditional monopoly over the proposal

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4 In a similar manner to some of the parliaments of continental Europe, the EP has adopted a system whereby the primary responsibility for preparing committee reports is delegated to one (or occasionally two) member(s) of the committee, the rapporteur.
of European laws), and assent over the appointment of the Commission and the passage of EU-third party treaties, in addition to reiterating the parliament’s long-standing demand for full legislative co-decision with the Council of Ministers. Martin II (passed in July 1990) elaborated the first report by presenting more detailed proposals; the third resolution, adopted 22nd November 1990, put forward the EP’s draft version of a final PU treaty.

As the beginning of the IGC approached, there were at least some signs that all this activity by the EP was bearing fruit. An Opinion document on PU from the Commission (21st October 1990) failed to support either the idea of legislative co-decision or the EP’s approval over the appointment of the Commission, but was at least willing to endorse the extension of cooperation over more EC laws. The traditionally skeptical Danish government also issued a memo (4th October 1990) calling for the cooperation procedure to be extended in scope, as well as for the EP to have the right of legislative initiative where the Commission refused to produce draft laws, and greater scrutiny powers over the Commission. A Dutch memo (26th October) was much more explicit about greater EP powers being a necessary part of further political union, while the Italian Parliament passed a resolution (20th November) stating that it would refuse to ratify any treaty not endorsed by the EP. Although the UK government continued to show no enthusiasm for any of these

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32Specifically, the resolution suggested a two-stage approval procedure for the Commission (first the President, then the Commission as a whole) by the EP, and also a ‘co-decision’ procedure that built on the existing cooperation procedure.

33In addition to the production of the Martin reports, the EP continued to keep up its links with other actors. Parliamentary ‘assizes’ were held in Rome from 27-30th November 1990, involving 85 MEPs and 175 members of the national parliaments, which endorsed the EP’s proposals. In addition, EP representatives participated in 4 inter-institutional conferences (2 each on EMU and PU) with members of the Commission and representatives of the national governments, held prior to the opening of the conferences.
measures, the Rome II summit (December 1990) that launched the IGC agreed to consider within it an agenda that included co-decision, extending cooperation and assent, and further EP powers over the appointment of the Commission. These developments lead Corbett to conclude that:

from a few sketchy headlines in the early months of the year, the agenda for the IGC had been thrashed out to cover a wide range of potentially important reforms. Almost all of the points initially listed by the European Parliament, and subsequently spelt out in its specific proposals, had found an echo and were supported either by particular governments, or were backed by the conference with national parliaments or by the Commission in its opinion, or else taken up directly by the Foreign Ministers via the inter-institutional conferences. Placing issues on the agenda of the IGC was, of course, no guarantee as to the final result (Corbett 1993:29).

_Bargaining at the IGC: Just as with Delors in the EMU conference, while the EP could attempt to set the agenda for negotiations, its involvement in the IGC would be highly restricted. The only actors whose approval would be needed for a treaty to be signed would be the national governments, including that of the UK which had little desire to see substantial movement in the direction of a more powerful EP._45 The formal involvement of the parliament would be limited to monthly ‘Inter-Institutional Conferences’, involving the Council, Commission and Parliament. And despite its best efforts, the EP had not been able to dominate the agenda in the manner that the Delors Plan had achieved. A range of opinions

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44At the Rome I summit in October 1990, a reference in the final communique to the desire of the national governments to see greater EP powers introduced in the new treaty was made subject to an expressed reservation by the UK government.

45Although, as was noted earlier, the Italian Parliament had insisted that it would refuse to ratify a treaty that the EP did not approve of, thus suggesting that the EP might have a _de facto_ veto over the forthcoming treaty.
still existed among the national governments, and an important role in bringing these opinions together into a universally acceptable form would fall on those countries holding the six-monthly rotating Community Presidency during 1991 - Luxembourg and the Netherlands.46

What, then, were the attitudes of the countries involved towards the EP? Baun (1996) detects a general divide between more ‘federalist’ minded countries, among whom he includes Germany, Italy, Spain and the Benelux states, and those who attitudes varied from the cautious (Denmark, France, Ireland and Portugal) to the outright hostile (the UK).47 Corbett draws the main dividing line rather differently, as far as the two IGCs as a whole were concerned:

one important feature overshadowed the whole process. This was the contrast in attitudes between the majority of the Member States and the UK. As the Belgian Permanent Representative to the EC, and personal representative of the Foreign Minister in the political union working party put it: ‘the final result cannot be correctly appreciated if one ignores the fact that one of the principal participants had no objectives and was seeking no results’ (Corbett 1992:277; see also Baun 1996:81-82).

However, on the specific issue of EP powers, he agrees that the member-states can essentially be divided into those in favor (the Benelux, Germany, Italy, Greece, Spain, and -

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46The Presidency of the Community is rotated every six months between the member states, with each state, no matter how large or small, receiving the honour. During this six-monthly period, a country chairs all meetings of the Council of Ministers, the main decision making forum in the EU, as well as meetings of major working parties, and it also hosts at least one summit meeting between national leaders. It practice, it has been argued, the Presidency allows a country a certain degree of discretion to advance its own priorities, although the short period of the presidency clearly places restrictions on the degree to which this can be done (Hayes-Renshaw and Wallace 1997; Bulmer and Wessels 1987).

47Similarly, Ross comments that the Germans favored greater EP powers, along with most of the small countries in the EU, “[who] saw federalization as a way of blocking intergovernmental approaches which handed power to the largest member states” (Ross 1995:98).
somewhat less so - France), those unenthusiastic (Ireland and Portugal) and those against (UK and Denmark).

A more detailed examination of each governments’ attitudes and behavior, however, reveals a somewhat more nuanced picture (Laursen and Vanhoonacker 1992).

□ The Belgian government was one of the EP’s staunchest champions. It argued that the Parliament ought to be given the right to elect the Commission and its President, and to have full co-decision powers on legislation (specifically by giving the EP a veto at end of the cooperation procedure), as well as extending the scope of the assent procedure), as a partial means towards tackling the ‘democratic shortfall’. Belgium stuck to this line throughout the duration of the conference (Vanhoonacker 1992).

□ The German government had both the specific circumstances of re-unification and concerns arising out of that, as well as a strong tradition of being pro-unity, impelling it to favor measures enhancing the powers of European institutions, including the EP.48 The German government thus demanded full co-decision for the EP with the Council, some rights of legislative initiative for the EP, as well as an increased parliamentary voice in the appointment of the Commission and in approving international agreements.

□ The Greek left-wing PASOK government since 1981 had been consistently opposed to federalist ambitions for the EU, including the strengthening of the powers of the

48Baun argues that “as a federal system and a state that had developed with numerous external constraints on its sovereignty and independence, Germany was more easily reconciled to further political integration than were such centralized, unitary states as France and Britain” (1996:80).
EP. A gradual softening in this attitude, however, was made more dramatic with the election victory of New Democracy in the April 1990 elections. The new administration was much closer to the federalist camp, particularly in regard to the issue of EP powers. A memo from the government (May 1990) argued that:

In Greece’s view, the process of moving towards political union presupposed and implies, above all else, a widening of the democratic base on which the Community is founded and operates, which means that the European Parliament must therefore be made into a real legislative and monitoring body.49

The new government line was consistently to be towards the ‘maximalist’ end of the spectrum - supporting the extension of the EP’s assent powers, extending the cooperation procedure to all legislative acts, giving parliament the right of initiative where the Commission failed to propose legislation, making the Commission’s annual program of work subject to EP approval, giving the parliament the ability to censure individual Commissioners, and also the right to elect the Commission President. The one exception was that the government did not endorse the EP’s right to full co-decision.

☐ Denmark, despite a strong domestic tradition skeptical about close political union in Europe (Laursen 1992), published a memo for the forthcoming IGCs in October 1990 in which the joint position of both government parties (the Conservatives, Liberals and Radicals) and the main opposition parties (Social Democrats, Center-Democrats and the Christian People’s Party) was stated to include support for the extension in

50 MEMORANDUM: Contribution to the Discussions on Progress Towards Political Union, (p.1).
scope of the cooperation procedure and allowing the EP to be able to request legislative proposals from the Commission. However, when the first draft treaty was proposed during the conference in April 1991 by Luxembourg (the country holding the Presidency of the EU at the time), the Danish government emerged as opponents of full co-decision powers, (although the country’s Foreign Minister was to equivocate on this with the publication of further proposals two months later). Nonetheless, the Danes were the government most consistently closest to the minimalist position of the UK throughout the duration of the conference.

☐ Spain had been a Community member only from 1986 and had become a strong supporter of closer European unity - perhaps in part through a desire to banish the memory of its long isolation during the Franco era (Gunther et al 1986). The Spanish government played an important role in the Maastricht process, as holder of the rotating EU Presidency in the first half of 1989, and in pushing for measure to build a ‘people’s Europe’, such as European citizenship (see Ordonez 1989:20). In line with this general position, and as a contribution to reducing the democratic deficit, Spain consistently adopted a maximalist stance, favoring granting parliament some powers of legislative initiative, and the power to approve the President and the rest of the Commission, as well as co-decision on legislation.

☐ Ireland has benefitted enormously from Community membership - financially from European policies, and also by becoming a more confident country less economically dependent on the UK - and enthusiasm for membership is shared by both people and most politicians (van Wijnbergen 1992). Ireland played an important role in the TEU
process, due to its holding the Presidency in the first half of 1990. The government generally maintained a low profile on major issues while holding the Presidency; it only came out with its own views more openly in October 1990. Eire remained very cautious about European foreign policy cooperation which might compromise its traditional neutrality. In addition, notwithstanding its general enthusiasm for the Community, Ireland was distinctly lukewarm about increasing the powers of the EP - pointing out in its early contributions that the democratic deficit is arguably a misnomer, as national representatives in the Council of Ministers are democratically elected. The government, however, eventually came to support some limited creation of co-decision powers. But it was always some way from the maximalist position of the EP and other governments (van Wijnbergen 1992).

Italy has an even stronger and longer-lasting tradition of support for the Community, and explicitly for Euro-federalism. Some have seen the origins of this support in almost psychological terms: as reflecting a desire to bury Italy’s fascist past in a new commitment to peaceful unification of Europe, or as using the establishment of EU governance to escape from the problems of government in Italy itself (Francioni 1992). Italy, which played an important role in the TEU process as the holder of the rotating Presidency in the latter half of 1990, immediately before the IGCs started, was and had long been an ardent supporter of the EP’s aspirations. As the IGC’s got underway, Prime Minister Andreotti supported the Italian parliament in warning that Italy would not ratify a treaty that was unacceptable to the EP (Martial 1992). In April 1991, the Italian government presented a joint document with the Germans
calling for full legislative co-decision powers for the parliament, as well as for some rights of legislative initiative, and a role in appointing the Commission and its President. Italy remained a maximalist state throughout the IGC, and was particularly hostile to French ideas for a European Senate of EP and national parliamentarians.

Brazil had played an important role (via the Kohl-Mitterrand letter) in getting the PU conference established. However, the French were generally much more keen on EMU than many elements of PU. In particular, while Mitterrand often presented himself as an ardent pro-European (which in many respects he was50), on the issue of EP powers the French continued a traditional position of caution. Indeed, the French even made tentative proposals for a European Senate, to be made up of national parliamentarians and MEPs, which would have primacy over the EP itself, while leaving the EP in its existing position as regards power over European laws and over the appointment of the Commission.51

Luxembourg has been involved in moves towards European unity since the Benelux economic union was formed by the Belgian Dutch and Luxembourgeois governments-in-exile in 1944. Despite its tiny size, Luxembourg was highly

51Although Martial identifies at least some commonalities with other elements of France’s policy history, in arguing that, “Starting from a Gaullist analysis of France’s interests, defending the position of France in Europe, and following the dictates of security requirements, Mitterrand came to Monnet’s conclusion that the country’s national interests could best be defended by further European integration” (Martial 1992:118).

52Martial argues that Mitterrand was motivated by a desire to reinforce the position of the European Council, where national leaders - like him - were the representatives of countries, and that he didn’t want to increase the power of the legislative branch at the EU level beyond what it was in France.
important to the TEU negotiations, as it held the EU Presidency during the first six months of the two IGCs, from January-June 1991. Initially the government kept a low profile, not wishing to compromise its position as mediator in the negotiations (Vanhoonacker 1992:159). Although it was itself one of the more ardently pro-federalist countries,

\[ \text{[i]t was very clear from the outset of the conference that Luxembourg's own ideas and preferences for the development of a European union were too ambitious to carry the support of the more reticent partners in the IGC. Therefore the Presidency attempted to crystallize the dominant tendencies of the negotiations and to find a middle way between, on the one hand, the so-called 'federalist countries', and on the other, those countries which could only support minor adjustments to the existing system (Laursen and Vanhoonacker 1992:159).} \]

The Luxembourg government attempted to put together the different positions in its April 1991 'non-paper'. This document formed the basis for the final treaty that was agreed, although as regards the powers of the EP, the final agreement in fact went further than the original Luxembourg draft.

\[ \text{The Dutch people and government also have a long history of favorability towards European unity. The Netherlands also had a crucial role in the TEU negotiations, as they held the Community Presidency for the crucial last six months of the IGC, leading up to the conclusive European Council summit at the town of Maastricht in December 1991. The Dutch history of support for a federal Europe has included supporting more powers for the European Parliament as a means of reducing the} \]

\[ \text{\textsuperscript{52}A 'non-paper' is a semi-formal discussion document, setting out likely areas of agreement and areas where problems for further negotiations appear to remain.} \]
democratic deficit. Their government tried to advance this agenda in a new draft treaty, presented at the end of September 1991, and despite their role in the Presidency, continued actively to favor a maximalist position as regards parliamentary powers.

Portugal endured a similar long period of semi-isolation from the rest of Europe to Spain, for similar historical reasons. Like its Iberian neighbor, Portugal has also benefitted economically from EU membership, and approached the IGC from the view that the Community was in many ways a very successful organization: therefore, radical changes were not needed, particularly to its institutional structure (de Meirelles 1992). Nonetheless, in addition to progress on EMU, the Portuguese government was willing to accept that the EP having co-decision powers over at least some legislation, although the government also indicated at least some interest in the French idea for a European Senate.

It was the UK, however, which was most opposed to a large extension in the powers of the EP, and remained so throughout the duration of the IGC. Britain’s long suspicion of notions of federal political union had been significantly enhanced during the last years of the Thatcher government, as the Prime Minister became increasingly hostile towards notions of European unity advanced by Delors, Kohl, Mitterrand and others. After her resignation, and Major’s assumptions of the increasingly divided Conservatives, the tone of British diplomacy became more emollient, but policy remained tied to the traditional British position of a Community dominated by national governments. As Ross comments, “[t]he larger British problem had not
been resolved, however. Despite ‘moving to the heart of Europe’, the UK was systematically opposing every proposal for significant change at both IGCs” (Ross 1995:154). This stance included UK opposition to giving the EP co-decision powers, or (later on in the conference, as a compromise position) that they should be limited to a narrow range of laws. However, (possibly motivated by a desire to see federalists in the Commission made more accountable) the UK did support giving the EP greater powers over the appointment of the Commission.

How, then, did these alternative preferences resolve themselves within the IGC? The EP had achieved some success in putting its demands on the negotiating agenda. Nonetheless, by as early as February 1991, according to Ross, Delors was warning MEPs that they were unlikely to get all they wished on co-decision (1995:104). Negotiations eventually boiled down to quite specific issues. On co-decision, EP wanted a procedure with two readings (similar to cooperation) followed by a conciliation committee (in the event of Parliament/Council disagreement) and then approval of any compromise by both Council and Parliament. This was supported by the German and Italian governments and the Commission. However, the Luxembourg ‘non-paper’ proposed a procedure which would allow the Council to re-affirm its common position in the event of a failure to agree in the conciliation committee. Not only was the procedure as a whole thus rather complex and cumbersome, but, as Corbett notes,

[p]arliament felt that this weighted the procedure in favour of Council. Council would not be obliged to negotiate in good faith in the conciliation committee as it could simply wait for the deadline, adopt its own text, and
challenge Parliament to reject it. Parliament would be unlikely to make frequent use of its right to reject, not simply because this requires a majority of members to do so, but because it would leave Parliament in the negative role, being blamed for blocking Community action (Corbett 1992:291).

The Luxembourg ‘non-paper’, however, also planned to apply this co-decision procedure only to a few areas of policy, and then only to setting out broad policy outlines. When put into a formal Luxembourg draft treaty, presented to the Euro Council summit June 28-29th, this fairly modest advance was opposed by the UK, France, Denmark and Portugal.

The first Dutch proposal (made as part of a new Dutch draft treaty put forward in September 1991) was to tack on an absolute EP veto to the end of the existing cooperation procedure (ie at the end of the Council second reading) but with no conciliation committee. Balancing this putative procedure (which the EP regarded less favorably than one which included a conciliation committee minus a third reading weighted against it), the Dutch proposed to apply it to all areas where there was majority voting in Council. However, after the new Dutch treaty had been rejected on a variety of fronts, they went back to the original Luxembourg proposal on the form of the procedure, but to apply across a somewhat wider range of laws than the original ‘non-paper’ had envisaged.54

54Objections to the Dutch text included not only objections to the proposals on co-decision, but more fundamentally included strong opposition by some countries to the attempt by the Netherlands to change the form of the treaty. The Luxembourg text had envisaged formalized cooperation in the fields of Foreign and Defence policy, and in Home Affairs, being kept separate from the main activities of the Community, in separate ‘pillars’ of activity. The Dutch attempted to bring all activities into the Community pillar, implying closer integration, and the possibility of the European Court of Justice having jurisdiction over these matters. However, the Dutch proposal won support only from the Belgian government, being rejected by all others (Corbett 1992:36-37).

55The original Luxembourg proposal had applied co-decision only to legislation in the areas of the environment, research, development cooperation and economic and social cohesion. The Dutch now proposed to apply the new procedure to a much wider range - all legislation currently operating under the cooperation procedure, as well as research, the environment, and ‘trans-European’ transport policy.
The problems were still not resolved. "Discussions in the IGC then revealed opposition by different Member States to different items on this list - and by the UK to all of them" (Corbett 1992:292). The Iberian states opposed co-decision for EU research programs and for legislation on the environment; France and Spain for structural funds; Luxembourg (and even the Commission) for internal market harmonization. In the end many of these complaints were whittled away at the Noordwijk conclave of foreign ministers just prior to Maastricht (Ross 1995:184), and via bilateral talks between Germany and the UK, held at the initiative of the Germans:

[Over a period of several weeks in October and November, German and British officials at different levels and in various departments met frequently in an attempt to hammer out compromises on issues where there was a significant divergence of views. These were numerous and included enhanced powers for the Parliament...On each of these issues, while the Germans were among the most ardent representatives of the federalist position, the British were the strongest defenders of national prerogative and sovereignty" (Baun 1996:93-94).

*The Treaty:* John Major was in a particularly delicate position at the Maastricht summit. Jones notes that "there were rumours that the Euro-sceptics, Lilley and Howard, would resign from the cabinet if a federalist compromise was struck at Maastricht" (Jones 1994:81). Major did not wish to be cast as the sole obstructive force in the way of an important treaty. But he had to satisfy his more anti-integration supporters as well. In addition to negotiating the EMU opt-out, therefore, Major excluded the UK from involvement in implementing the 'Social Chapter' of proposed minimum Community standards at work. Advances in European foreign policy and cooperation in immigration policy were also placed into inter-
governmental ‘pillars’ of cooperation formally separate from the main work of the EC proper - something that suited not only the UK but other states as well. The UK also won a symbolic victory when Major insisted that a phrase talking about the EU having a ‘federal goal’ be dropped from the treaty. But on the more substantive institutional matter of EP powers the outcome represented more of a genuine compromise.

The Maastricht treaty established a new legislative procedure, set out in Article 189b. The UK government was insistent that this procedure not officially be termed ‘co-decision’ (although in practice it has come to be called exactly that). Some 15 areas of law were placed under the agreed procedure - amounting to around 25% of legislation in the years since the treaty has been ratified. Despite support for the EP’s stance from Italy, Spain, Germany, Greece, Belgium and the Commission, the final compromise text retained the ability for the Council of Ministers to re-affirm a common position at the end of conciliation committee. The scope of the assent procedure was also widened, but only over residency rights, structural funds, international agreements and the EP’s electoral system (the first two areas having been originally opposed by the UK), and not to other areas proposed by some countries (the definition of the EU’s own resources, stage 3 of EMU, or future treaty revisions themselves).

54In particular, the Danes, Portuguese and the French had been dubious about any move away from the ‘pillars’ concept.

57Arguably, however, this was an odd victory, as the revised pre-amble to the treaty talked about ‘ever closer union’ - something which potentially implies much greater (eventual) centralization of power in the EU than does the term ‘federalism’.

58However, these items of legislation do not include some of the most important areas of European law - such as matters relating to the Community’s most (in)famous policy, the Common Agricultural Policy.
The EP was able to win approval fairly easily for its right to have assent power over the appointment of a new Commission: this point was accepted quite early on during the IGC (Corbett 1993). But the UK, along with Portugal, Ireland and Denmark, opposed the EP having formal approval power over Commission President. Nor were the UK, French, Irish, Greeks and Portuguese in favor of a parliamentary proposal that the EP and the Commission should share 5-year, synchronized terms of office. However, parliamentary pressure on the latter point worked: “The point was finally included in the text at Maastricht itself, not having achieved even majority support at the Noordwijk meeting of foreign ministers the previous month. This was, perhaps, one of the clearest examples of Parliament’s involvement in the IGC producing a specific result” (Corbett 1993:59). But the Commission was able to persuade the member states to oppose the EP’s request for rights of legislative initiative. However, parliament’s right to establish Committees of Inquiry and to elect a Community Ombudsman were supported by national governments.

Corbett’s conclusion is that “The overall outcome is a substantial step forward for the European Parliament’s powers in the Community’s legislative procedures” and elsewhere (Corbett 1993:58; see also 1992:298). While John Major attempted to present the outcome of the treaty as a whole as ‘game, set and match to Britain’, (as he announced to press conference immediately afterwards), the provisions for EP powers were more than the UK would have wished for (Webster 1992). More generally, the UK was still very much ‘on the back foot’.

John Major clearly did not play the leadership role he claimed he wanted his country to assume in the European debate. Contrary to the negotiations leading to the adoption of the SEA, where Britain played a constructive and
determining role, the outcome of the 1991 IGCs was to a large extent determined by the two other major Western European powers, France and Germany. John Major's tactics of trying to delay further European integration by defending an intransigent position clearly failed and the country found itself totally isolated (Webster 1992:201).

Indeed, the UK's concessions in the area of parliamentary powers became necessary in order to win reciprocal concessions elsewhere: “the reference to the federal vocation of the Treaty was dropped but, in exchange, more powers for the European Parliament were included” (Webster 1992:175).

However, in their turn, more federally-minded actors had also had to give ground to shape the final compromise. While the Commission, and more particularly Delors, appeared moderately satisfied with the agreement reached, it did not represent all they wanted (Ross 1995:227). While some MEPs felt that they had gotten more than they really expected, there was still room for much disappointment at both the scope of its co-decision powers, as well as at the exact form of the procedure - specifically the 3rd Reading provisions (Vanhoonacker 1992). In a similar manner, “[a]lthough majority voting has been extended and the European Parliament has been given co-decision making power in some areas, the increased role of the European Parliament falls short of Germany’s original demands” (van Wijnbergen 1992:60; see also Baun 1996:95). And the Italian Foreign Minister Gianni de Michelis even faced criticism from the moderate newspaper Il Corriere della Sera for ‘losing the fight’ on EP

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56Speech to the EP, December 1991. However, Delors also commented, post-Maastricht: “I must correct a historical fact... I am not the architect of Maastricht. An examination of the Commission’s proposals for the treaty will show that there are great differences between them and the final text” (Delors - Interview with Italian newspaper L'Unita, 16 Feb 1994).
powers to the UK (Martial 1992). The agreement on the issue of the powers of the EP left no party entirely satisfied. But such has long been the way with negotiations, and this settlement represented more of a 'classic compromise', with all sides giving some ground, than that on EMU.

This chapter has presented a (necessarily lengthy) account of the negotiations processes and their outcomes on the two issues of EMU and the powers of the European Parliament. In the light of this detailed empirical examination, what lessons may be drawn as regards the two-level games approach, and its ability to characterize adequately linkages between the domestic and international political spheres? This question will be explored in the next two chapters. The more general theoretical conclusions of Chapter 6 will be preceded, in the next chapter, by consideration of a more immediate question, more closely and obviously connected to this examination of the Maastricht saga. What factors help us to understand the direction which the TEU negotiations followed? And to what degree can the two-level games approach contribute towards a satisfactory explanation of the events which have just been discussed?

Indeed, even among academic observers, the precise implications of the Maastricht changes have been matters for some dispute. Church and Phinnemore argue that the democratic deficit "has been marginally narrowed rather than closed by the new Treaty" (Church and Phinnemore 1994:255); in some contrast to Wessels, whose conclusion is that: "the Treaty increases considerably the powers of the EP over a broad spectrum of policy sectors and in several 'governmental' functions... Thus, the role of the EP as a co-legislator, co-elector and as a forum has been considerably increased though not to the same degree in all policy fields" (Wessels 1993:187). On the specific matter of the co-decision procedure, there is an ongoing debate: George Tsebelis and Geoffrey Garrett have argued that in some respects the third reading weakens the EP's position even compared to that prevailing in the cooperation procedure (Tsebelis 1995; Garrett 1995; Garrett and Tsebelis 1996; Tsebelis and Garrett 1997; Garrett and Tsebelis 1997). However, the theoretical arguments underpinning this argument have been shown to be seriously flawed, and their implications unsupported by available empirical evidence (Scully 1997a, 1997b, 1997c; Moser 1997; Jacobs 1997).
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CHAPTER 5

TWO-LEVEL GAMES AND THE MAASTRICHT TREATY

In this chapter, I consider to what degree the Maastricht treaty negotiations, and their outcome, can be explained via the lens of the two-level games approach and those critiques of the approach developed in Chapter 3. This assessment will be based on the account of the negotiations presented in the previous chapter. The detailed examination of the processes that led to the TEU suggest that the two following conclusions can be drawn:

1. The leaders of the UK government consistently maintained 'minimalist' preferences on both issues examined - EMU and the powers of the EP (as well as most other aspects of the treaty) - throughout the pre-bargaining and bargaining stages. The British government would almost certainly have preferred the debate on EMU as a serious option for the EU never to have taken place. But it did, and as enthusiasm developed behind the Delors plan, British counter-proposals were made which, if implemented, would have left the establishment of a single currency much more open to question. Similarly, as regards the European Parliament, the UK government at no stage evinced enthusiasm for major advances in the prerogatives of this body. The primary distinction between Margaret Thatcher and John Major was not in the preferences which they brought to the Community bargaining table, but rather in the
manner in which they pursued those preferences in the light of prevailing European and domestic political circumstances. Thatcher, in her last years in office increasingly a “leader of lurid style and risky habits” (Hugo Young, The Guardian, November 1990), was unwilling to moderate her increasing hostility to the federalist agenda of Delors and others, or to accommodate those in her party - and even her Cabinet - who did not share this hostility. However, her vision of the Community (‘willing and active cooperation between independent sovereign states’) differed barely at all from Major’s. The domestic political balancing act which Major sought to perform was on the one hand to uphold those preferences, and keep the ‘Euro-skeptical’ wing of his party satisfied, by refusing to commit the UK to major moves towards a federal Europe; but on the other hand keeping the more communitaire elements of his domestic constituency content by bringing a more emollient tone to UK-EU relations and trying to steer negotiations in a direction where the UK could contemplate signing the final treaty. Putting Britain ‘at the very heart of Europe’ clearly did not mean, however, fundamentally altering British preferences on the substantive matters under negotiation.

2. The outcomes that obtained from the treaty bargaining process, however, did not fit very closely with British preferences. On EMU, the UK proved quite unable to present a credible counter-proposal to the Delors plan, which won the support of the other member states as the basis for an agreement. The UK did negotiate the ‘no veto, no lock-out, no coercion’ opt-out, which allowed them to make up their minds later. But this could hardly be claimed either to be putting the UK at the heart of
Europe, or moving the Community in the direction that Britain wanted it to move in. Indeed, the opt-out presented the possibility, even the probability, of the next or next-but-one administration in London having to choose between the equally unattractive alternatives of joining EMU (and thus surrendering the economic sovereignty that Thatcher and Major had been so keen to preserve) or facing isolation from its European partners. And on the issue of the EP’s powers, while the parliament and its supporters could hardly claim total victory, the UK had also had to give some ground - to allow, for example, the EP to gain ‘co-decision’ authority over a significant portion of European laws.

These outcomes of the treaty bargaining process can be regarded as presenting significant analytical puzzles. Why was the UK, with preferences probably the closest to the prevailing status quo of all the countries at the negotiating table, not able to use its veto power simply to block moves in directions that it opposed? There are several strands of thought which indicate that it ought to have been able to do so. Many of those who have analyzed inter-governmental treaty bargaining in the EU have argued that the prevailing outcome is likely to be around the ‘lowest common denominator’, particularly when this represents the position of one of the major countries in the Community (Moravcsik 1991, 1993a; Garrett 1992). Other work on negotiations in the EU, which attempts to model the process in terms of a ‘bargaining space’ within which the different actors like national governments may be located, would also lead one to a similar conclusion (Garrett and Tsebelis, 1996; Schneider 1995).
Of more particular relevance here, previous work in the two-level games tradition, as examined earlier, should also lead one to predict a similar outcome from Maastricht. As discussed earlier, much work in this area has suggested that a leader facing strong domestic constraints against offering bargaining concessions ought to be able to exert substantial leverage at the international negotiation table. Whether a constrained bargaining position reflects mainly one’s own stubbornly held-to preferences (as in the case of Thatcher) or is somewhat more a reflection of pressures from one’s domestic constituency (as with Major), the UK should have managed, according to this line of thinking, to insist on final outcomes close to its own position. That, moreover, is presuming that the negotiations should ever have gotten underway at all. The conclusion to Double-Edged Diplomacy argued that national governments can generally control the bargaining agenda. Why, in that case, did the UK not only have to negotiate on EMU and the EP’s powers at all, but do so on the basis of plans drawn up by non-governmental actors - primarily the Commission and the parliament itself? Why was the British government not able to kill debate on these issues before it ever really emerged?

The central argument to be made in this chapter is that the outcomes which obtained at Maastricht may not be simply accounted for by (although they may have been partly caused by) particularly maladroit British diplomacy. Rather, I suggest that they reflect the importance of a combination of factors, many of which were identified in chapter 3, and which have hitherto been inadequately developed in the two-level games literature. Specifically, one cannot adequately understand the outcomes of the TEU without accounting for the significant part played in the process by de facto decision rules, and without
addressing the vital contribution made (particularly at the agenda-setting stage of negotiations) by several trans-and supra-national political actors in shaping the agenda for the bargaining process. The implications of these findings for an understanding of treaty bargaining in the EU are addressed in the final section of the chapter.

Majority and Unanimity Decision Rules in the EU

It was argued in chapter 3 that some fundamental differences exist between bilateral and multilateral negotiation and bargaining processes. This insight is readily applicable to the EU context, where, with 12 member-state governments at the time of Maastricht (now 15, with a possible 20-25 in the near future), to say nothing of actors like the Commission and the EP, it will frequently be necessary to understand the dynamics of bargaining in multilateral terms. This is not to say that there may not be times where it will still make sense to think bilaterally. For example, the latter may often be quite apposite (as well as more parsimonious) in circumstances of legislative bargaining in the co-decision conciliation committee between the Council of Ministers' 'common position', and the established viewpoint of the European Parliament. Nonetheless, in many situations, the greater complexity of multilateral negotiations is something that analysts of the Community will be more or less forced to deal with.

One major distinction between multilateral and bilateral bargaining pointed to in Chapter 3 lies in the potential of multilateral negotiations to operate via alternative decisions rules: unanimity (or unit veto), where all parties are required to endorse an agreement and have the ability to prevent the passage of a final agreement; and some form of majority rules,
where one or more actor may be outvoted, and might even have to accept as enforceable upon themselves an agreement that it has explicitly opposed. One form of such majority rules, under the guise of Qualified Majority Voting (QMV) in the Council of Ministers, have long operated in the Community for the making of legislation. Although unanimous consensus is generally sought where possible (Hayes-Renshaw and Wallace 1997:42-58), the explicit or implicit operation of QMV has become an increasingly important aspect of EU governance.¹

Yet while clearly it is highly pertinent to legislative bargaining, the relevance of majority decision rules to treaty negotiations in the EU is much less obvious. Surely, it might be argued, the requirement that treaties be unanimously agreed by national governments (as well as ratified at home by all member-states) means that only unit-veto rules are worth considering? One might well wish to examine the conditions under which countries would be willing to exercise that veto, the argument might continue, but the unanimity condition would seem to impose a strict constraint - likely to mean that bargaining outcomes will tend towards the ‘lowest common denominator’ position (Moravcsik 1991, 1993a; Baun 1996).

I would contend that such an argument, while obviously true in many salient respects, is nonetheless substantially over-drawn. Specifically, the operation of some form of majority decision rule at important stages of the process helps to explain not only the outcomes obtained at Maastricht, but also those occurring in its predecessor treaty, the SEA. This is

¹By ‘implicit’ operation is meant the frequent practice of allowing measures to pass without a formal vote when it is clear that the requisite majority in the Council exists.
somewhat more easily seen in regard to the Single Act: most particularly in the majority vote at the 1985 Milan European Council, which endorsed the establishment of an Inter-Governmental Conference on the basis of the Commission’s White Paper for Completing the Internal Market, as well an agenda for some institutional reforms.\(^2\) The three most recalcitrant or ‘minimalist’ member-states (the UK, Denmark and Greece) had all voted against setting up an IGC on this basis, but were forced to go along with this decision (Urwin 1995:227-230). In addition, earlier work in the Dooge Committee, which set much of the agenda for consideration of institutional reforms, had also proceeded by the more or less explicit operation of majority rules (Lodge 1994).\(^3\) Of course, all countries retained their final veto power over the treaty text. But the use of majority decision-making earlier on in the process had meant that the final decisions would take place upon an agenda which would almost certainly never have won serious consideration if an effective unanimity rule had been in place throughout the negotiation process.

A very similar dynamic can be seen to have operated in regard to the TEU. Again, my argument is that the unanimity condition in place for the final treat agreement - the ability, ultimately, for the UK or any other country to say ‘No’ to the final text - was rendered much less effective than one might have expected because of the manner in which (in this instance \textit{de facto}) majority rule decisions earlier on had shaped the agenda in a direction

\(^2\)The institutional reforms under consideration included the powers of the EP, majority voting in the Council of Ministers, and the degree of official recognition to be given to EU summits - which had been occurring under the banner of the European Council since the 1970s, but which had yet to be incorporated into the governing treaties of the Community.

\(^3\)The Dooge committee was an Ad Hoc investigatory group with representatives from each of the Community states named after its chairman, the former Irish minister James Dooge. It had been charged in the early 1980s to report on possible institutional reforms.
contrary to that preferred by the British government. This process can be seen operating with regard to the issue of the powers of the EP. A majority of countries were at least willing to consider seriously the parliament’s proposals. Thus the matter remained on the bargaining table, and eventually became the subject of a compromise, with the British government being forced to accept greater EP prerogatives as the price for concessions it desired in other directions.

But the importance of *de facto* majority decision rules in shaping the outcome at Maastricht can be seen with even more force in relation to EMU. As was evident in chapter 4, there was, initially, quite wide potential support for what eventually became the UK government’s negotiating position - a ‘parallel currency’ route towards a possible single currency, represented in the British case by the ‘hard-ecu’ plan. Certainly, it was by no means clear in 1987 or for most of 1988 that the Delorist route towards a single currency would become the one chosen. Yet it was also seen in the previous chapter that by the time the IGC on EMU got underway in December 1990, the hard-ecu, and with it the parallel currency approach as a whole, was effectively dead in the water. As the Maastricht summit approached, the UK was left in the uncomfortable position of having to choose between the following three options:

I. Accepting the Delors plan and committing the UK to joining EMU on those terms. This option was quite unacceptable to Conservative Euro-skeptics, including some Cabinet members, many backbench MPs, and probably John Major himself;

II. Rejecting the Delors plan and using the British government veto on the treaty to prevent its passage. This option was unacceptable to pro-Europeans in the
Conservative party - including, probably, Major’s two opponents in the party leadership contest, and now his senior Cabinet colleagues, Michael Heseltine and Douglas Hurd;

III. Taking the opt-out route, thus allowing the UK’s partners to go ahead along the Delorist route, and perhaps simply postponing a difficult decision until later.

How did the British government manage to find itself in such a position? Partly, this is testament to the importance of agenda-setting processes (a point developed more fully in the following section). But of more immediate importance, these developments also show the crucial manner in which de facto majority decision processes worked against the UK, in a manner quite predictable according to the analysis developed in chapter 3. Early on (in 1987-1989) the UK government, and particularly its leader, took a position of almost outright hostility towards the very notion of EMU. This position placed the UK, however, in isolation from the rest of its Community partners, who did not share such total opposition. The other member states then moved not only in the direction of support for the basic concept of EMU, but also towards endorsement of the Delors plan’s proposed route towards reaching the single currency. By the time (summer 1990) that the UK government made some determined effort to establish a compromise position on the basis of the parallel currency option, it was too late. A momentum of support had built behind the Delors plan, and the UK proved unable to win the support of a sufficient number of its fellow governments (or, indeed, ultimately of any of them) that would have been needed to sustain the parallel approach as a serious counter-agenda to that advanced by the Delors committee.
It is highly plausible - although far from certain - that if the UK had moved in the direction of a compromise on the parallel currency approach rather earlier, and thus mobilized a coalition of support from its potential allies (of whom there were probably many), it might have prevented such a great momentum building up behind the Delors plan as that which eventually materialized. At the very least, the UK government could most probably have prevented the Delorist route becoming established as the route for reaching EMU, and thus have had the parallel currency approach still on the bargaining table as a compromise position at the IGC. In such circumstances, the threat of the British veto if its preferred option were not taken up would have carried much greater credibility. As it was, the dogmatic opposition of Margaret Thatcher to EMU had left the UK isolated early on in the process. The counter-agenda based around the parallel currency idea was only advanced half-heartedly and too late to win substantial support. The result of this was that John Major was left facing the dilemma which confronted him at Maastricht. Majority coalitions of support has set the agenda on EMU much earlier, and rendered the British veto ultimately of far less significance than might have been expected.  

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Similarly, Laursen argues that: “One cannot understand the final outcome without taking a special look at the role of the UK. Although the UK had its allies on various issues...the situation did become eleven against one on some important issues. The UK was clearly the most minimalist among the Twelve... domestic politics can explain that. The UK only accepted EMU on the basis of an opt-out clause in respect of the start of the third phase... But the UK did give something in the process as well. First of all, the UK accepted an enhanced role of the European Parliament which, through the new co-decision procedure, will have a real veto on legislation in a number of areas” (Laursen 1992:245).
Trans- and Supra-National Actors, Agenda-Setting and the Maastricht Treaty

The Importance of Agenda-Setting: In addition to pointing to the significance of formal or informal decision rules in shaping the nature of Maastricht and other treaties, the previous section also re-iterated the immense importance of agenda-setting. This process forms the essential activity of what Lebow terms ‘pre-bargaining’: defining (or as it is sometimes termed, ‘framing’) both what is to be negotiated about, and on what basis the negotiations are to be conducted. While often neglected in the past, both in the study of the EU and more generally, in favor of the analysis of formal negotiations once they are underway, much valuable insight has recently been generated into the importance of such pre-negotiation processes. This work tends to suggest that how issues are defined and the form in which negotiations on them is to be conducted is of crucial importance - indeed, that it may be quite as important as the formal negotiations which follow in determining the final outcome, if not more so (Stein 1989; Lebow 1996). The importance of shaping the direction of an agenda is explained by Lax and Sebenius:

[t]he choice of path matters, of course, because the effectiveness of subsequent actions depends - sometimes heavily, sometimes lightly - on the path of previous actions and their results; in short, the unfolding outcomes... are path-dependent (Lax and Sebenius 1991:187).

This suggests that analysts of the EU, for instance, need to focus systematically not only on inter-governmental bargaining in the IGC’s on issues such as EMU and the EP’s powers, but also on how they ever got to be bargaining on those issues, in the manner that they did, in the first place. One of the few scholars to address this dimension in studies of EU treaty bargaining is Green Cowles, who, for the SEA, argues that the transnational interest group
of industrialists, the European Round Table, "played a leading role in setting the agenda and providing policy alternatives for the 1992 programme" (Green Cowles 1995:522). The argument, as interpreted by Caparoso and Keeler, is that "by the time state leaders came to the bargaining table, a substantial amount of work had [already] been accomplished" (Caparoso and Keeler 1995:45). Similarly, for the issues examined in this study, agenda setting activities had largely defined the issues to be decided, and the options available. This was done less comprehensively for the IGC on Political Union than for that on EMU, but it was done nonetheless. As Mazey and Richardson contend, "if we are to understand the IGC process...we need to be conscious of the crucial role that 'framing' plays in the policy process" (Mazey and Richardson 1997:232).^5

Trans- and Supra-National Political Actors and EU Treaty Bargaining: Even if it can be agreed, however, that agenda-setting is highly important, it remains unclear who will conduct much of this activity. Andrew Moravcsik has suggested that "we might expect [national] statesmen to have a great deal of control over the initiation of negotiations and the setting of a negotiating agenda" (Moravcsik 1993b:27).^6 This has a certain plausibility to it, at least as regards major treaty bargaining exercises: after all, in what are inter-governmental

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^5More generally, these same authors suggest that "Rather than seeing the IGC as a discrete 'choice situation', it might be more useful, therefore, to view policy-making in the IGC in terms of a process of learning in some kind of collective problem-solving... Much of the activity in the lead up to the 1996 IGC was, in fact, about the attempts by different actors to 'frame' the problems which the member states face on the IGC's agenda" (Mazey and Richardson 1997:226-27).

^6As mentioned earlier, similar ideas are also reflected in the Peter Evans' conclusion to the Double-Edged Diplomacy volume Evans (1993).
conferences, it would hardly be spectacularly counter-intuitive to observe that the process was being dominated by national governments.

Nonetheless, while national governments remain crucial actors at IGC’s, and indeed throughout the EU, much of the crucial agenda-setting work for Maastricht and for other treaties does seem to have been performed by other actors, with national governments at least partly reacting to initiatives from elsewhere. These other actors appear to be predominately of two kinds: trans-national groupings operating outside government and attempting to generate support across different countries for ideas that they favor, and supra-national actors such as the European Commission or the EP.

The role of trans-national pressure groups in pushing the agenda for the single market initiative has already been noted (see also Urwin 1995). But the SEA was also shaped in a crucial manner - indeed, would likely not have happened at all - without the activities of Jacques Delors and his Commission colleagues (particularly his fellow Commissioner Lord Cockfield). As Ross observes, “The events which produced the Single European Act...flowed from detailed scripts written largely by the Commission. This remained true even after the first ‘dialogue’ stage, when the UK and other hangers-back agreed to enter real negotiations, and member states took over” (Ross 1995:32; see also Webster 1992). Delors was able to achieve this success not because he forced the national governments to act entirely against what they perceived as being in their national interests. He didn’t. Rather, the important role he and the Commission played was to craft a set of proposals that appealed to virtually all national governments, persuading them that their national interests could be fulfilled within a Community context. As Dinan puts it, “[t]he Commission had not pulled
its '1992' proposals out of thin air, but had cleverly played the role of 'policy entrepreneur', identifying a demand (completion of the single market) and delivering a product (the White Paper)” (Dinan 1997:188).

The task that Delors and the Commission (quite successfully on EMU) and the parliament (with a somewhat lesser degree of success on Political Union, particularly in regard to the issue of the EP’s powers) sought to achieve for Maastricht was essentially similar: crafting a policy agenda that did not impel national governments to go against their own interests, so much as persuade them to identify their interests with the direction in which the Commission and the EP wished to move (Dinan 1997; Laursen 1992). In this task, moreover, they had at least the partial assistance of various transnational actors. Cameron argues that the committee which produced the Delors report, although under the direction of Delors himself, was dominated (12 out of 17 members) by central bank governors, and should thus more readily be seen as a transnational actor rather than reflecting the importance of Delors as a supranational influence. Even if one is willing to accept that the committee combined both trans- and supranational elements, Cameron’s investigations lead him to conclude that:

[even at the very last stages of the Intergovernmental Conference, the central bankers of the Community - preeminently transnational - remained influential in a process that was, in formal terms, intergovernmental... our account suggests that transnational actors and their politics were present and influential throughout the development of the EMU initiative... and in some respects and at some moments, they were more influential than either governmental or supranational actors (Cameron 1995:72-74; see also George 1994).]
In other work, Hix and Lord (1997) have suggested that the European trans-national party federations of Socialists, Christian Democrats and Liberals, which have increasingly organized interchanges by national party leaders on important matters relating to the EU, were also a significant influence in shaping the attitudes of at least some governments on some issues at Maastricht. National governments retained, of course, the power to exercise a veto over the treaty presented to them. And they will often, as in the events examined in this study, also be centrally involved in the agenda-setting stages of treaty bargaining. But the evidence from Maastricht, as well as from other examples of treaty negotiations in the EU, is that trans- and supra-national actors can exert an important influence, and do so particularly by shaping the nature of the agenda which national governments come to bargain on at later stages. Treaty bargaining in the EU is partly, and may even be largely about interstate negotiations, but that is far from the whole story (Edwards and Pijpers 1997:8; Dinan 1997:188).

Nor does this role for trans-and supra-national actors appear to be merely accidental, or simply attributable to the particular skills (considerable though they were) of an individual like Delors. Rather, a sound argument can be developed that it is the highly institutionalized nature of international cooperation developed within the EU which acts to create and empower such actors. Cameron, again, makes the case eloquently in relation to the trans-national actors influential in the EMU saga, suggesting that “[t]he development of the EMS as a monetary regime, superimposed as it was upon an existing organization of interdependent states that was already densely populated with institutions - including institutions representing transnational actors - undoubtedly enhanced the authority and
influence of the transnational actors charged with its management" (Cameron 1995:76).

More generally, he observes that

the very existence of the Community itself encourages and facilitates the activity of transnational actors to a far greater extent than might exist among a random collection of sovereign states. The unusually high degree of economic interdependence among the member states... coupled with the dense network of Community institutions, and the accumulation over decades of a long history of interaction within these institutions, provides both a rationale and an opportunity for non-state actors to come into contact and to pursue common interests (Cameron 1995:74).

For Cameron, the development of important transnational linkages and actors gives strong support to Keohane and Nye's (1974) contention that transnationalism is likely to be most prevalent in circumstances of 'complex interdependence', of which the Community is surely the prime example. This argument is supported by other empirical work on the EU (Marks et al 1994), and also by the work of Risse-Kappen, who poses the question: "if governance structures inside nation-states are increasingly characterized by informal patterns of interest mediation involving societal, political and state actors, why should policy-making in the EU

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7 Other work about the increasing impact of trans-national politics in the EU is increasingly prevalent. For example, in discussing the politics of lobbying in the Union, Mazey and Richardson comment that "National interest groups are embedded in the 'low politics' of the bulk of EU policy-making and are becoming increasingly embedded in cross-national policy networks of various kinds" (1997:228).

8 In a similar manner, Risse-Kappen comment that "[t]he original regime literature was aware that highly institutionalized interstate relations provide an environment that allows transnational and transgovernmental relations to flourish. Since the EU represents the most densely institutionalized network of international regimes and organizations in the world, these findings challenge the intergovernmentalist hypothesis about EU policy-making" (Risse-Kappen 1996:59; see also Keohane and Nye 1977; Cameron 1995; Risse-Kappen 1995a; Héritier 1995).

9 As the same authors go on to argue, "[s]ates do not monopolize links between domestic and European actors, but are one among a variety of actors contesting decisions that are made at a variety of levels" (Marks et al 1994:8).
as a far less hierarchical system of governance than the nation-state be different?" (1996:61.

Emphasis added).¹⁰

In a similar manner, the process of European integration has also included the development of institutional structures and organizations at the European level. This has created actors, like the Commission and the European Parliament which then have both the incentive to push for greater influence, as well as, sometimes, the information about EU policies to enable them to craft persuasive institutional and policy proposals. As suggested by Risse-Kappen,

[t]he more a particular policy sector has been integrated and the more decisions in this area are governed by majority rule, the more likely it is that the policy-making process is characterized by transnational and transgovernmental coalitions among private, subnational, national, and supranational actors rather than intergovernmental bargaining (Risse-Kappen 1996:66).

That such a statement can be supported even with reference to the Maastricht treaty negotiations - ostensibly a purely inter-governmental affair, and thus constituting a particularly hard 'test' of such a characterization - only lends it yet greater plausibility and force.

¹⁰The same author later suggests: "the most significant development in European integration in recent years, the decision to institute an Economic and Monetary Union with a common currency, cannot be understood without reference to institutionalized transnational and transgovernmental actors" (Risse-Kappen 1995a:297-98).
Understanding European Treaty Bargaining

The characteristics of the policy process... make the development of a single theory to account for the EMU outcome extremely hazardous. The diversity of the actors involved; the different dimensions of bargaining and their complex interaction; the variations in the relative importance of the bargaining relations over time; and iteration of bargaining and its inseparability from a broad policy package that could not be entirely separated from other EC policy areas; the accumulation of these factors inhibits the simultaneous achievement of parsimony in theorizing and sensitivity and comprehensiveness in understanding (Dyson et al 1994:13).

Dyson and his colleagues are, of course, right. Powerful and wide-ranging general statements are difficult to make about any element of human society, and the EU is certainly no exception. Indeed, as the study of European integration has flourished in recent years and knowledge about the Community has deepened, there has been a notable trend away from very broad attempts to ‘explain’ the EU, and a move towards somewhat more precise, ‘middle-range’ theories. Understanding major treaties such as Maastricht is certainly not the same as understanding ‘integration’ as a whole, and even if there are general patterns in EU treaty negotiation, they cannot be assumed also to operate with regard to more ‘day-to-day’ policymaking (Peterson 1995).

Nonetheless, it is quite plausible to argue that this very complexity, and the institutionalization of cooperation in the EU - the establishment of many long-running and multi-faceted policies, the development of a complex body of EU law, the empowerment of governing institutions - does have a significant influence on the nature of treaty bargaining in the EU. Member-states of the Community are not simply disparate countries coming together occasionally to negotiate because they have exogenously-defined preferences which
temporarily and purely by chance happen to lead them in similar directions. Rather, they are deeply entwined in patterns of cooperation, or 'complex interdependence', something which shapes the manner in which they approach the bargaining table, and how they behave once they get there.

The study of the Maastricht treaty conducted here, as well as other studies of the other major treaties agreed by Community member-states in recent years (Cameron 1995; Baun 1996; Sandholtz and Zysman 1989; Sandholtz 1993; Svennson 1997) - the SEA and the 1997 Amsterdam treaty - suggest that the following are important elements of understanding the outcomes of EU treaty bargaining:

1. Initial proposals. These may come from national governments, EU institutions, or from transnational actors, with the latter two often attempting to move governments in their direction with their crafting of proposals. The SEA and Maastricht both show how a carefully-developed agenda, often coming at least partly from outside the national governments, can be extremely influential. By contrast, the lesser advances in PU at Maastricht, or the absence of many achievements at Amsterdam, testify that national governments appear unlikely to agree to advance integration or make major policy commitments unless they can be presented with a persuasive rationale for doing so. Amsterdam is particularly instructive in this respect, because the build up to this treaty witnessed much less of an effort by the Commission, in particular, to advance an ambitious agenda than it had done at the previous two IGCs. The 'less but better' motto of Jacques Santer, indicating his much more low-key aims and
ambitions as successor to Delors as Commission President, may have been sensible in many ways, but it also meant that the Commission did little to advance an integrationist agenda. It is also interesting that the only major beneficiary of Amsterdam was the EP, which gained further extensions of co-decision powers: testament to the intensive lobbying for more powers from the EP which had continued after the parliament's smaller victory at Maastricht.

2. Proposals, of course, have to win support from national governments for them to become a credible part of the negotiating agenda. They must be able to be shown as relevant to the concerns of at least a large number of member-states. But unanimity at this stage is not necessarily required.

3. One other factor (mentioned in passing before, but not developed further) may also be relevant: the preferences and priorities of the country holding the Community presidency during both the pre-bargaining and bargaining stages. At the 1985 Milan summit, it was the Italian Prime Minister (and Community President-in-Office) Bettino Craxi, who used his powers to call a vote on the convening of an IGC; during the Maastricht saga, the Irish, Italian, Luxembourgeois and Dutch presidencies in turn not only took the chair but also (particularly in the Italian and Dutch cases) attempted to move the negotiating agenda in a more pro-integrationist direction. Things would doubtless have been very different if the UK had been holder of the Presidency in the latter half of 1991, instead of one year later.
4. Detailed bargaining at the IGC, which is required to reach a unanimous agreement, then follows. But even this stage of the process may not neatly fit notions of the ‘lowest common denominator’. This is not only because there may be trade-offs across different issues (as in the UK accepting more EP powers in return for the dropping of the word ‘federal’ from the TEU). It is also because the agenda for much of the negotiations may have been set well before formal bargaining has commenced, and have been set in a manner which is uncomfortable for at least a few of the participants.

5. Domestic politics is crucial for shaping EU treaty bargaining, but it will often be significant in a subtle and complex manner. Domestic politics is not merely something which acts to define the national preferences that are then brought to the EU bargaining table (cf. Moravcsik 1993a); nor is it simply a ‘constraint’ on bargaining, or something which must be taken into account when international negotiators consider what potential agreements might be ratifiable (cf. Milner 1997). The structure of domestic politics (and indeed daily life in each member-state) is shaped very strongly by the reality of EU membership; so, therefore is the definition of one’s ‘national’ interest. But domestic political structures can also effect other elements of the bargaining context: for example, German monetary arrangements, with the independence they grant the Bundesbank, helped to make the bank and its governor an important trans-national actor in the EMU saga (Cameron 1995).
An understanding of EU treaty bargaining incorporating such considerations would undoubtedly be a more complex one than previous models that have largely neglected pre-bargaining and assume fairly narrow lowest common denominator bargaining processes. But an examination of the Maastricht process, as well as a consideration of other instances of EU treaty bargaining, suggests that a more adequate understanding of how such treaties come to be agreed must incorporate the factors outlined here.

This chapter has examined how the outcomes that obtained in the bargaining process that produced the Maastricht treaty may best be explained. In coming to this assessment, several of the theoretical points regarding the two-level games approach developed in chapter 3 have proven to be of considerable relevance. This chapter has also considered what the study of the TEU presented here, in combination with evidence of other recent episodes, helps tell us about the nature of treaty bargaining in the EU. The final chapter of this study will return to the broader theoretical issues which this dissertation seeks to address, examining what the analysis presented here can reveal about both the two-level games approach and the study of domestic-international linkages more generally.
CHAPTER 6

CONCLUSION: TWO-LEVELS GAMES IN PERSPECTIVE

In this concluding chapter of the study, my aim is to address some of the lessons which may be drawn from the arguments and findings developed hitherto. To re-capitulate, previous chapters have been devoted to a theoretical and empirical exploration of the two-level games approach, and its value as a framework for the understanding of domestic-international linkages. In chapters 2 and 3, I reviewed previous work in this area; a review which was followed by an exposition and initial theoretical critique of the contribution made by the two-level games approach. Chapters 4 and 5 were then devoted, first, to an empirical examination of the behavior and degree of bargaining success achieved by the UK government in the Maastricht treaty negotiations, and second, to developing some of the specific lessons that the previous theoretical discussion held for understanding the outcome of the Maastricht process.

The task now is to consider both the broader conclusions to be drawn from this study, and the future research challenges that are suggested. In other words, we must return to the basic issues raised in the introductory chapter. What value does the two-level games approach have in the study of domestic-international linkages? What does the study of the Maastricht treaty negotiations tell us about the nature of contemporary European politics, and specifically the European Union? Finally, and most fundamentally, having addressed the
positive contribution and also the shortcomings of the two-level games approach, how may the increasingly important phenomenon of linkages between the domestic and international spheres of politics most appropriately be studied and understood?

Two-Level Games Re-Assessed

As was explained in the first two chapters of this study, the two-level games approach has aroused considerable academic interest as a means for studying domestic-international linkages. It was also argued in chapter 1 that the empirical study of the UK and the European Union conducted here is, in at least some senses, a 'critical case study', holding particular pertinence for an assessment of the value of the two-level games approach. An obvious and immediate question, therefore, is what conclusions the study suggests. In what respects did the two-level games framework prove to be helpful, and what were its problems and shortcomings?

As was at least partly anticipated (in the discussion presented in chapter 3), where the two-level games approach has proven to be of particular value has been in drawing attention to the pressures faced by the national leader/chief negotiator when caught up in international negotiations. The initial metaphor of the Janus-faced politician presented by Putnam, and some of the subsequent research reviewed in chapters 2 and 3, prove to be entirely correct in suggesting that an important dimension of international bargaining is the domestic political circumstances which national leaders face. In this study, it has been shown how both Margaret Thatcher and John Major were confronted with considerable domestic political pressures (principally from within their own Conservative party), as well as with
important issues to resolve at the EU level. It was also certainly true that however they behaved in Europe would have domestic political consequences, with at least some of their party being disgruntled. Emerging just as clearly in the discussion, however, was the fact that these domestic troubles strongly influenced the bargaining concessions that Britain was willing and/or able to make, and the country's ability to engage positively with its partners in the negotiations process.

While valuable in this respect, the two-level games approach does not specify particularly clearly the form and degree of domestic and international pressures which national leaders will face. As was seen in the case of the UK, this actually differed somewhat between the two Prime Ministers: partly due to the progression of the negotiations, but at least as much due to their own rather different attitudes when confronted with growing support for measures of closer European integration, and particularly that of a single currency, elsewhere in the EU. Neither Thatcher or Major favored great advances in this direction, but whereas Thatcher was prepared to risk isolation at the European level through her staunch opposition, her successor wished to avoid such isolation while making minimal concessions. Nonetheless, and as the two-level games approach would again predict, neither leader was able to make these decisions completely shielded from domestic political circumstances. With the Conservative party severely split on the issue of closer European unity (as indeed it has remained until the present day), Margaret Thatcher made some moves to moderate her stance, but they proved to be insufficient either to win a shift in the bargaining agenda at the European level or to mollify her domestic opponents within the Conservative party. Mr Major's rather more equivocal position (making warmer noises
towards Europe while continuing to resist large concessions) was able to keep his party more or less united for the duration of the treaty talks, but became subject to severe criticism from ‘Euro-sceptics’ shortly thereafter.

As indicated earlier, Putnam is hardly the first person to identify at least some of these pressures which operate on (international) negotiators. The notion of the two-level game, however, can certainly be defended for providing a useful means of summarizing such considerations. But what both the theoretical and empirical discussions presented here must lead one to be far more dubious about is the idea that the two-level games approach can therefore form an adequate basis for understanding the linkages that operate between domestic and international politics. It does not necessarily follow that an approach which is valuable in illuminating the simultaneity of the domestic and international pressures operating on an international negotiator, is also appropriate and of similar worth as a means of accomplishing the former, much broader theoretical task. A primary contribution of this study has been to elucidate why, in several respects, the establishment of the two-level games approach as a guiding framework for understanding domestic-international linkages would be fundamentally problematic.

As identified and illustrated in some detail in chapter 3, the move from the original metaphor of the two-level game towards a model of international bargaining has proven problematic. Putnam’s initial notion, based on the earlier work of Schelling, was that domestic political ‘weakness’ (i.e. the inability to sell bargaining concessions to one’s domestic constituency) should provide a leader with greater strength at the international negotiating table. But the empirical support for this idea - as discussed in chapter 2, and
reinforced by the findings of this study - has proven to be, at best, patchy. At least as significant, the theoretical assumptions lying behind this argument are also highly questionable. As was demonstrated in chapter 3, developing a multilateral model of bargaining (more true to the initial situations that Putnam was seeking to understand than a bilateral model) allows for the analysis of bargaining under alternative decision rules. Under a majority rule, domestic weakness is likely to leave an actor isolated and therefore to diminish their influence upon the bargaining process, although under unanimity rules the same domestic circumstances might conceivably have a beneficial impact on their bargaining strength. Given the fact that multilateral negotiations are increasingly prevalent within the international environment - indeed, they formed the context around which Putnam first developed the two-level games approach - and that the possibility for alternative decision rules is a major structural difference between them their bilateral counterparts, the more subtle analysis of bargaining introduced here constitutes a significant theoretical advance. It is also a useful empirical contribution in helping to explain the outcomes experienced by the UK during the different stages of the Maastricht process: in particular how the UK was significantly out-maneuvered during the pre-bargaining process at the early stages of the two IGCs by the operation of a de facto majority decision rule. The broader point, however, is that even when one takes the two-level games approach on its own terms, thus assuming that constructing a model of international negotiations is a valid way in which to approach the broader task of understanding domestic-international linkages, the approach as developed thus far can be shown to have some serious limitations. Any attempt to understand the
impact of domestic circumstances without an awareness of the decision rules operating during the bargaining process is likely to be significantly misplaced.

Of even deeper concern, however, are the inadequacies of the two-level games notion as a basis for understanding the complexities of domestic-international linkages. Putnam's approach posits two apparently almost entirely separate spheres of politics, with interchanges between them only occurring within the forum of international negotiations and via the person of the chief negotiator/national leader. The inadequacy of this approach, however, was demonstrated in chapters 4 and 5 of this study. Even when the focus of attention is an Inter-Governmental Conference, the formal context within which the bulk of the Maastricht treaty negotiations occurred, an analysis which considers the national governments (and their relationship towards their respective domestic constituencies) alone may be at best highly restrictive, at worst wildly misleading. The institutionalization of international cooperation in contemporary Europe has meant the establishment of significant supra-national actors like the Commission, the European Parliament and (although it did not feature particularly prominently in the events examined here), the European Court of Justice. It has also provided the stimulus towards the development of numerous trans-national actors. The significance of such actors is such that they can be demonstrated to have had a considerable impact even in a situation like that of the Maastricht negotiations where their potential role seemed to have been minimized. The more general point which needs to be made is that the supra- and trans-national dimensions provide scope for a wide variety of domestic-
international linkages in today’s EU which neither run through national governments nor require the existence of formal government-government negotiations processes in order to operate.

This discussion leads to the firm conclusion that while the two-level games approach potentially provides a valuable means for understanding the pressures that can operate on an individual involved in international negotiations, it is considerably less useful in other respects. As developed hitherto, it has significant limitations as a model of international negotiations, and it is quite inadequate as a general theory, or even an approach leading towards an eventual theory, of domestic-international linkages. More precisely, two-level games characterizes the pressures that can operate on one point of linkage between the domestic and the international; it does not and cannot provide a comprehensive description or explanation of those linkages themselves. This is the first major conclusion which can be drawn from this study. However, in identifying the limitations of the two-level games approach it is also essentially a negative conclusion. What more positive lessons does this study offer? I turn first to the politics of the European Union.

The Politics of European Unity

(T)he boundaries between the ‘domestic’ and the ‘international’ spheres as well as between the ‘state’ and ‘society’ have to be crossed when talking about the EU (Risse-Kappen 1996:54).

A prominent feature of research on the European Union is that body of work loosely labeled ‘integration theory’: writings aiming, in some form or another, to characterize and explain
the development of institutionalized international cooperation in contemporary Europe. This work can be divided into several contending schools of thought. Among these are neo-functionalism, the first major effort at constructing an explanation of European integration. The leader of this school, Ernst Haas (1958; see also 1964, 1968, 1970), drew upon elements of pluralism, communications theory (Deutsch 1957, 1966) and the normative writings of functionalists like David Mitrany (1944) in developing an explanation of moves towards closer European unity. Haas's approach posited integration as an incremental process, with an important explanatory role being given to the following three factors: the impetus provided by institutions (such as the European Commission) at the center of this developing community; gradually developing loyalties towards the new European polity amongst other actors - particularly interest groups and political party members; and the advancement of unity through expanding and deepening the functional policy scope of European institutions in a process termed 'spillover'.

The original neo-functionalist thesis was later amended both by Haas and others (e.g. Lindberg and Scheingold 1970, 1971), but came under increasingly strong criticism for appearing to neglect some highly significant factors, including the pivotal role of national leaders - demonstrated vividly in the 1960s as French President Charles de Gaulle brought the Community to crisis after refusing to cede national governments' right to veto important policy developments (Hoffman 1966). Indeed, as European integration seemed to grind to

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1The crisis ended in 1966 with the 'Luxembourg compromise', which essentially granted de Gaulle his way in permitting the national veto to be retained.
a halt in the mid-1970s, Haas himself joined in criticism of neo-functionalism: in any case, there seemed very little further integration left to explain.

The new momentum of the 1980s, epitomized by the EMS and the SEA, brought renewed theoretical interest, some of which took the form of at least partial revivals of neo-functionalism (Burley and Mattli 1993). But a strong counter-thrust in the contemporary literature on integration has come from authors claiming that, notwithstanding the developments in institutionalized cooperation in Europe, the integration process, and the EU as a whole, still need to be understood primarily in inter-governmental terms: that is, as dominated by the interests of nation-states and their governments. Somewhat paradoxically, therefore, this work reflects a renewed interest in European unity as the integration process has begun to advance once more, yet it tends to downplay the potential implications of that process.

This ‘inter-governmentalist’ literature contends that the EU has been, and will likely remain, largely dominated by national governments; and that to the degree that sovereignty is devolved to European institutions, this represents choices taken by national governments to benefit their own interests. One form of this argument has been to suggest that grants of power to bodies like the Commission and the Court of Justice are most appropriately seen as a means by which national governments allow themselves to enact mutually beneficial policies such as free-trade. Specifically, it has been argued, European institutions allow for the resolution of ‘collective action’ problems - the short-run incentives that each country

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2In a spectacular volte-face, Haas now began to talk of ‘The Obsolescence of Integration Theory’ (Haas 1975).
might have to ‘cheat’ on mutual trade concessions, for instance - or solve ‘incomplete contracting’ problems by providing agreed mechanisms to deal with problems and questions not able to be anticipated in the original deal (Garrett 1992; Pollack 1996, 1997).

An even more prominent line of thought, propounded most vigorously by Andrew Moravcsik, has come to be termed ‘liberal intergovernmentalism’ (Moravcsik 1991, 1993a, 1995). Moravcsik’s analysis of the EU, and in particular treaty changes like the agreement of the SEA (Moravcsik 1991), has led him to argue, variously:

1. That treaties like the Single Act and Maastricht are agreed by the national governments of member states because they benefit those countries’ domestically-derived and domestically-defined national interests;

2. That treaty bargaining, tends towards ‘lowest common denominator’ outcomes, with those least favorable to further integration - those closest to the ‘status quo’ position - having by far the strongest bargaining hand, ceteris paribus;

3. That even to the degree that policy areas are ‘Europeanized’, this strengthens national governments’ power position, because European-ization removes policies from detailed scrutiny from domestic actors like national parliaments, yet national governments retain considerable control over the process through their presence in the Council of Ministers.¹

However, even Pollack concedes that these arguments have some difficulty in accounting for the increased role of the EP, which seems less fitted than either the Commission or the Court to fulfill the sorts of roles which he assigns to EU institutions (1997:107).

¹“The EC does not diffuse the domestic influence of the executive: it centralizes it. Rather than ‘domesticating’ the international system, the EC ‘internationalizes’ domestic politics. While cooperation may limit the external flexibility of executives, it simultaneously confers greater domestic influence” (Moravcsik 1995:3). This part of Moravcsik’s argument is, in the main, difficult to dispute. Few national
The picture of the EU that emerges from Moravcsik's work is one of quite limited and occasional moves towards any form of European unity, those moves being effectuated through new treaties. Moreover, those advances that have occurred have been, and will continue very much to be, controlled by and operating for the benefit of national governments. Little place is accorded here to trans- or supra-national actors, of the type that have figured prominently in earlier chapters of this study. Thus, Moravcsik (1993a) is able to draw on Putnam's original statement on two-level games to model advances in integration as constituting treaty bargaining around a simple two-stage, two-level process: stage one being the definition of national interests in the domestic polity, stage two the process of inter-governmental bargaining between countries on the basis of those interests (see also Risse-Kappen 1996:55).

These intergovernmentalist arguments, and their various critiques, have provided the major focus for contemporary theoretical debates within the study of the EU. Critics have attacked their intergovernmentalist opponents from several directions. Some scholars contend that picturing European integration as advancing solely through periodic treaty bargains between governments is highly misleading, and that while events like the SEA and Maastricht are undoubtedly important, they are only part of a much broader process (Stone Sweet and Sandholtz 1997). Much of the rest of that process, these authors suggest, consists of lower-profile developments like the gradual development of cross-border transactions and parliaments (the Danish Folketing is a notable exception) have made impressive progress in developing methods for the scrutiny of EU laws and policies, and the control of their governments' behavior in the Council of Ministers (Norton 1996; Raunio 1998).
communications: important both in their own right and as factors influencing the context in which future episodes of treaty bargaining occur. Indeed, it has been argued that the apparent 're-birth' of integration in the SEA is at least partly explicable by the development of transnational links between Community countries during the preceding decade creating demands for the measures contained in the Act. The neo-functionalist vision of integration as a gradually evolving process thus might have more to commend it than inter-governmentalists are willing to concede.

Second, and relatedly, it has been suggested that Moravcsik's analysis, in particular, is guilty of 'selection bias' in the material analyzed and from which general conclusions about the integration process are drawn. As noted earlier, it is not exactly spectacularly counter-intuitive to observe 'inter-governmentalism' occurring in the context of Inter-Governmental Conferences. What must be questioned, however, is whether one can generalize findings from the study of such conferences to the EU as a whole. The formal rules governing decision-making in IGCs are very different from EU decision-making processes at other times, which often grant a substantial role to the Commission and the Parliament in particular. Moravcsik's conclusions about the dominance of national governments within the EU are thus highly contentious, even were they to be basically correct for the specific circumstances of bargaining within the fora of IGC's (Peterson 1995; Tsebelis and Kreppel 1998).

A third line of criticism argues that it is inadequate to think of EU policy-making as involving simply two levels - the national and the European. This critique has been developed in both a moderate form, as, for example, when Patterson (1997) argues for the
need to insert a third, global level of analysis when studying the EU within the context of world trade talks, and in a more radical form in the substantial body of work developed around the theme of 'multi-level governance' (Marks 1992, Hooghe 1996). This latter school has challenged the view of the EU as operating within a simple and neat hierarchical structure. This, it is claimed, not only ignores the considerable policy-making autonomy of regional and local governments within some nation-states, but also the increasing linkages that exist between EU institutions and these sub-national bodies. The fact that national authorities are frequently by-passed by exchanges between local and European authorities in the administration of the Union’s structural, regional and social policies suggests the need for a more subtle understanding of the EU than inter-governmentalism appears to offer. Multi-level governance analysts join with other critics of inter-governmentalism in arguing that while IGCs may still be viewed through a fairly simple two-level model, in most functioning EU policy areas there exists an increasingly complex ‘web’ of interactions between the various EU institutions and national (and possibly regional and local) governments, interactions that are further influenced both by the complex rules governing policy making that have developed, and by the actions of interest groups operating nationally, trans-nationally, and at the European level.

The findings of this study clearly do not allow definitive judgements to be made regarding all these ongoing theoretical debates within the study of the EU. They can, however, make at least one significant contribution. While the ultimate importance of Intergovernmental Conferences to the integration process may be disputed, few have sought to
challenge the inter-governmentalist view of how such conferences work. In this study, I have focused on a major instance of treaty bargaining during an IGC - precisely the setting where inter-governmentalist analyses are generally accepted as being most applicable (Peterson 1995). Yet considerable evidence has been found that a simple two-level, two-stage model of bargaining is inadequate for the explanation of important aspects of the Maastricht story. Indeed, it may fundamentally mis-characterize some of the political processes that occurred. While it is true virtually by definition that the final decision at Maastricht lay with national governments, ignoring other actors means neglecting the considerable agenda-setting role which they played in shaping the decisions which national leaders would be able to take, and at least some of the pressures they faced when doing so.

The findings of this study thus echo those of Risse-Kappen, which challenge the assumption that interactions within international institutions must be conceptualized as inter-state bargains. This seems to be less the case the stronger the institution. The EU, for example, can neither be understood as primarily an intergovernmental nor a supranational institution. Rather, transnational and transgovernmental coalition-building of like-minded officials bargaining with other alliances within the normative framework provided by the institution appears to better characterize the interaction patterns within highly integrated regimes and organizations (Risse-Kappen 1995a:285-86. Emphasis added).

Even in the treaty bargaining process, EU politics is about far more than simply the inter-play of national interests between national governments. This conclusion casts fundamental doubt on the argument developed recently that analysis of EU politics can legitimately be divided between intergovernmentalism as a valid approach model for understanding treaty

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5A notable exception to this statement is Cameron (1995).
bargaining, and other models, which grant a greater role to supra- and trans-national actors and to the impact of institutional rules, being applied to more day-to-day matters (cf. Moravcsik 1997; Peterson 1995). While contrasts between the political processes operating in these different facets of the EU undoubtedly exist, the findings of this study indicate that these contrasts may be rather less fundamental than has hitherto been suggested. The institutionalization of international cooperation in contemporary Europe, and the institutions, practices and actors generated by that process, are of considerable importance even within the context of what is formally designated as purely inter-governmental bargaining. This is a significant conclusion to draw, and one which advances our understanding of the politics of European unity.

The Future Study of Domestic-International Linkages

What final lessons can be drawn from this study for the analysis of domestic-international linkages? As was discussed in the first two chapters, this area of work is one of long-standing pedigree, and also of potentially huge importance for the comparative and international sub-fields of political science. At the same time, the bifurcation of research into these two separate specialisms has undoubtedly inhibited recognition and understanding of the degree to which politics does not always stop at the 'water’s edge', or on the national border, but can operate across, around and above it. Problems of how to understand the influence of domestic politics on the international realm, and vice-versa, have vexed scholars for over a century. It is hardly surprising, therefore, that the two-level games approach,
despite the hubris displayed by some of its advocates, fails to offer the ‘holy grail’ of a comprehensive integrative framework with which to study domestic-international linkages.

As stated earlier, what the two-level games approach does offer is a useful means of understanding the pressures that operate on one potential source of linkages between the domestic and international spheres. Comparing the results of the empirical study presented here with those previously conducted using the two-level games framework (particularly Evans et al, 1993; Lehman and McCoy 1992; Knopf 1992) suggests that this approach will be most valuable in understanding domestic-international linkages in circumstances when the national government itself constitutes the main such linkage. This is most likely to apply under the following conditions:

1. when ongoing contacts between the countries or entities involved are relatively infrequent, and are mainly conducted through formal diplomatic channels;
2. when interactions between the governments are focused around a specific and fairly narrowly-defined issue, rather being than part of a ongoing and broadly encompassing relationship;
3. when only two or very few countries are involved in the negotiations;
4. when there are few other aspects of an institutionalized relationship present, such as the development of more or less formal rules governing interactions between governments;
5. when there are no actors created at a supra-national level with the opportunity to exercise substantial influence upon agenda-setting or upon the formal negotiations themselves.
These conditions closely parallel many of the situations analyzed in previous empirical studies (including many of those in the *Double-Edged Diplomacy* volume), but certainly not the contemporary European Union or the many other instances of the increasingly prevalent phenomenon of 'complex interdependence' between states (Keohane and Nye 1977, 1989). In the context of long-term, multi-faceted, and highly institutionalized relationships between countries, domestic-international linkages can be expected to be more extensive, subtle and diverse than is recognized by the two-levels games approach. Most particularly, one can virtually assume the existence of a significant trans-national element in the latter set of circumstances. With the regularization of cooperation between countries, the opportunities and incentives for trans-national actors to be created and to flourish increase substantially. National governments thereby lose their dominance over the linkages between states, and patterns of greater complexity in such linkages develop. As Risse-Kappen has observed:

The emergence of *transgovernmental* coalitions seems to be almost entirely a function of highly cooperative and institutionalized inter-state relationships. Transgovernmental network-building involves behavior for bureaucratic actors which could be regarded as disloyal by their home governments. In the framework of international regimes and institutions, however, such practices become more legitimized...International institutions are then expected to facilitate the *access* of transnational actors to the national policy-making processes. INGOs and trans-governmental networks lobbying governments can do so more easily in the framework of international institutions... Even countries with state-dominated domestic structures such as France are probably unable to cut themselves off from demands of transnational actors
when dealing with international institutions (1995a:30-31, emphasis in original).  

The institutionalization and development of cooperation and interdependence can also, as stated earlier, empower supra-national actors to be significant players, further strengthening and at the same time making more complex the patterns of domestic-international linkages.

The original aspiration driving the two-level games approach was to sort out the 'puzzling tangle' of relations between domestic and international politics. Yet, as demonstrated by the study of negotiations in the EU conducted here, it is probable that as those linkages which two-level games aspire to theorize become more regular and of greater importance, they also find reflection in increasing numbers and a growing density of transnational networks and in the establishment of supra-national political institutions. The highly state-centric approach adopted by Putnam and his followers thus becomes more and more restrictive, and possibly even quite misleading. The fascinating paradox is thus that the approach of these analysts to understanding domestic-international linkages likely becomes less and less appropriate the more highly developed those links become. A simple, highly state-centric model, may well be valid for explaining more primitive forms of linkages. It is highly unlikely to be adequate when they become significantly more advanced.

Further research is clearly required in order to verify this argument and expand upon it. This research may draw on the considerable literature on the politics of International

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4Elsewhere the same author argues that "The more regulated the inter-state relationship by cooperative international institutions in the particular issue-area, the more transnational activities expected to flourish and the less should governments be able to constrain them...international institutions are likely to facilitate access to the national political processes and, in particular, to enable the emergence of transgovernmental networks" (Risse-Kappen 1995b:30-32).
Governmental Organizations (IGOs), and international ‘regimes’, as well as that on trans-nationalism, to understand the circumstances under which institutionalization of international cooperation promotes strong and multi-faceted linkages between the domestic and the international spheres. We need to know how exceptional the EU, often thought of as being the most advanced and developed instance of international cooperation, is in this regard. This research should also inform scholars of the degree to which the patterns observed in this study in the European context point to the future development of similarly complex domestic-international linkages elsewhere in the world.

Two further concluding points need to be made. The first is that aspirations towards building an integrative framework within which to incorporate the findings of the diverse comparative and international relations fields of political science are probably always going to be, to some degree at least, unrealistic. The complexity of these research traditions is such that they do not readily lend themselves towards incorporation into a single framework; nor could any putative framework hope to do justice to the richness of either tradition. If this argument appears to suggest a ‘retreat’ back towards separate research efforts on domestic influences on international politics and vice-versa, then so be it. The flourishing and fruitful work in these traditions is more likely to be inhibited than given new theoretical inspiration by efforts to incorporate their findings into a single integrated approach.7

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7To give but one example of this work, Milner (1997) builds on previous two-level games research in developing a more advanced theory of domestic influences on international bargaining. The observation that her work says little of significance about the structure and dynamics of domestic politics in its own right should not, surely, diminish the contribution which this work makes towards theory in international relations.
But there must also be a recognition that the separate comparative and international traditions do come under particular pressure in contexts like that of contemporary Europe, where the domestic and the international are increasingly difficult to disentangle. However, the answer to this analytical problem is surely not to construct a single framework which reifies the domestic and the international as entirely separate political spheres, and imagines a single point of linkage between them. The deeper challenge, to which there is not (nor should there be) a single and immediate answer, is to find methods, concepts and theories to understand how, and with what consequences, international politics in conditions of complex interdependence becomes more domesticated, functioning more as a ‘political system’, with interactions between actors increasingly the stuff of rules and of institutions, and having a growing direct impact on the everyday lives of citizens. The profound nature of this challenge suggests the need not for a single analytical framework, but the hard and detailed conceptual and empirical work of understanding ‘who gets what when and how’, the essence of politics throughout the ages.
### Appendix: A Chronology of the Maastricht Saga

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>Committee for the Monetary Union of Europe established</td>
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<tr>
<td>1987</td>
<td>Association for Monetary Union in Europe established</td>
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<tr>
<td>July 1987</td>
<td>Single European Act enters into force</td>
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<tr>
<td>January 1988</td>
<td>Balladur memorandum advocates closer monetary unity in Europe</td>
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<tr>
<td>February 1988</td>
<td>Amato memorandum issued, critiquing existing EMS structure; Special European Council in Brussels agrees ‘Delors I’ package increasing and re-allocating EC budgetary resources</td>
</tr>
<tr>
<td>March 1988</td>
<td>Genscher memorandum links single currency idea to single market program</td>
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<tr>
<td>June 1988</td>
<td>European Council in Hanover charges ‘Delors Committee’ with responsibility of preparing a report on EMU</td>
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<tr>
<td>September 1988</td>
<td>Delors Committee begins work</td>
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<tr>
<td>April 1989</td>
<td>Delors Committee presents final report</td>
</tr>
<tr>
<td>May 1989</td>
<td>Guigou report presented</td>
</tr>
<tr>
<td>June 1989</td>
<td>Madrid summit agrees July 1990 as starting date for implementation of stage 1 of Delors committee recommendations, and accepts in principle idea of holding Inter-Governmental Conference on EMU; Italian referendum produces 89.1% support for proposal to grant European Parliament right to draft constitution for a European Union</td>
</tr>
<tr>
<td>July 1989</td>
<td>European Parliament calls on future IGC to consider institutional reforms as well as EMU</td>
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<tr>
<td>October 1989</td>
<td>Speech in Bruges by Jacques Delors calling for more efficient EC decision-making procedures</td>
</tr>
<tr>
<td>Month</td>
<td>Event Description</td>
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<tr>
<td>November 1989</td>
<td>Fall of the Berlin Wall; European Parliament re-iterates calls for IGC to have a wider remit than EMU; Lawson 'competing currencies proposal advanced'; Resignation of Nigel Lawson as British Chancellor</td>
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<tr>
<td>December 1989</td>
<td>Decision to convene an IGC on EMU made at European Council in Strasbourg</td>
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<tr>
<td>January 1990</td>
<td>Speech to European Parliament by Jacques Delors calls for an IGC on Political Union</td>
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<tr>
<td>March 1990</td>
<td>Adoption of the Martin I Report by the European Parliament (by 213 votes to 19), proposing political union subjects for negotiation; Belgian Memorandum issued calling for stronger EC institutions; Italian Parliament supports the Martin Report</td>
</tr>
<tr>
<td>April 1990</td>
<td>Kohl-Mitterrand joint initiative; extraordinary Dublin summit asks foreign ministers to consider need for second IGC; Greek memorandum from new (New Democracy) government advocates closer political union, including stronger political institutions</td>
</tr>
<tr>
<td>May 1990</td>
<td>Spanish government supports IGC on EPU, including consideration of European Citizenship (Gonzalez letter)</td>
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<tr>
<td>June 1990</td>
<td>Decision to convene an IGC on EPU made at European Council in Dublin; Mrs Thatcher protests against substance of EMU proposals and EPU suggestions, including co-decision for the Parliament; Italian memorandum calls for enhanced Political Union, including co-decision powers for the European Parliament</td>
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<tr>
<td>July 1990</td>
<td>Belgian senate adopts resolution supporting Martin I report; Adoption of Martin II (217 votes to 38) and Colombo reports by the European Parliament</td>
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<td>August 1990</td>
<td>Solchaga (Spanish Finance Minister) presents plan for parallel currency; Commission publishes detailed treaty proposals for EMU building on Delors report strategy</td>
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</table>
October 1990  German re-unification; Danish memorandum on EMU and EPU; formal Commission proposals on EPU presented, including call for some greater powers for the European Parliament; special Rome European Council agrees (with UK reservations) that IGC on EMU should be aiming at single currency and European central bank, also agrees to start stage 2 of Delors committee plan for EMU on 1st January 1994; UK Pound joins Exchange Rate Mechanism (at high parity announced unilaterally by the UK)

November 1990  Resignation of Margaret Thatcher as Prime Minister of the UK and Leader of the Conservative Party, and election of John Major; Adoption of Martin III Report by the European Parliament; joint meeting of MEPs and representatives of national parliaments of EC member states (Assizes) approves agenda put forward in the Martin Reports

December 1990  Second joint Kohl-Mitterrand initiative; opening of IGCs on EMU and EPU at European Council in Rome, with wide EPU agenda agreed by national leaders

January 1991  Luxembourg takes over Presidency of Council; Gulf War begins

February 1991  Delors warns EP of likely limited nature of co-decision agreement

March 1991  German-Italian joint declaration on enhanced powers for the European Parliament; Inter-institutional conference discusses Parliamentary powers

April 1991  First Luxembourg Draft Treaty ('non-paper') on European Union; Joint Italian-German initiative on EPU

May 1991  Commission Document on the structure of the Union presented

June 1991  Second Luxembourg Draft Treaty on the Union presented; European Council meeting in Luxembourg agrees on Luxembourg text as basis for negotiations; French National Assembly and Belgian Parliament pass motions calling for Luxembourg text to be strengthened in a more federal direction, Belgians stating they will refuse to ratify any treaty not agreed to by the European Parliament
<table>
<thead>
<tr>
<th>Month</th>
<th>Event</th>
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<tbody>
<tr>
<td>July 1991</td>
<td>Netherlands assumes Presidency of Council of Ministers</td>
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<td>August 1991</td>
<td>New Dutch draft on EMU suggests 'two-speed' approach</td>
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<td></td>
<td>(withdrawn before full Dutch draft treaty presented in September)</td>
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<tr>
<td>September 1991</td>
<td>Dutch Presidency's Draft Treaty presented and rejected</td>
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<tr>
<td>October 1991</td>
<td>Inter-institutional conference in Brussels</td>
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<tr>
<td>November 1991</td>
<td>Inter-institutional conference in Brussels; Second Dutch Draft</td>
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<td></td>
<td>Treaty; Noordwijk conclave of foreign ministers; speech by John</td>
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<td></td>
<td>Major to House of Commons' pre-Maastricht debate defends UK's</td>
</tr>
<tr>
<td></td>
<td>Inter-Governmentalist position</td>
</tr>
<tr>
<td>December 1991</td>
<td>Brussels conclave of foreign ministers; European Council at</td>
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<tr>
<td></td>
<td>Maastricht agrees the details of the Treaty</td>
</tr>
<tr>
<td>February 1992</td>
<td>Treaty on European Union signed by Foreign Ministers of</td>
</tr>
<tr>
<td></td>
<td>Community Member states in Maastricht</td>
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